STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
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JOINT LEGISLATIVE BUDGET COMMITTEE
Thursday, October 24, 2002
9:30 a.m.
Senate Appropriations Room 109

AGENDA

- Call to Order

- Approval of Minutes of September 19, 2002.

- DIRECTOR'S REPORT (if necessary).

- EXECUTIVE SESSION
  A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
  B. Department of Corrections - Review of Negotiated Private Prison Rates.
  C. Department of Revenue - Consider Approval of Ladewig Expenditure Plan under A.R.S. § 38-431.03.

1. JLBC STAFF - Review of Calculation of Inflation for Transaction Privilege Tax County Withholding.

2. BOARD OF REGENTS - Review of Expenditure Plan for Additional FY 2003 Tuition Revenues.

3. DEPARTMENT OF HEALTH SERVICES - Review of Expenditure from the Vital Records Electronic Systems Fund.

4. DEPARTMENT OF ECONOMIC SECURITY - Adjustments to General Assistance Program - For Information Only.*

5. ARIZONA DEPARTMENT OF ADMINISTRATION - Bimonthly Report on the Implementation of Self-Insurance for State Employee Health Insurance.

6. ARIZONA DEPARTMENT OF ADMINISTRATION/GOVERNMENT INFORMATION TECHNOLOGY AGENCY - Report on HRMS Replacement Project.

* Committee vote would occur at the November meeting.

7. AHCCCS - Report on Cost Sharing Measures.

8. REPORT ON RECENT AGENCY SUBMISSIONS
   A. Board of Accountancy - Report on Plan to Reconcile Budget.
   B. AHCCCS - Report on Medicaid in Public School Initiative Services Reimbursement.
   C. Department of Economic Security - Bimonthly Report on Children Services.
   D. Department of Emergency and Military Affairs - Report on Declared Emergencies.
   E. Game and Fish Department - Report on Game and Fish Publications Revolving Fund.
   F. Department of Health Services - Report on Transfer Allocation.
   G. JLBC Staff - Report on Analysis of Fee Equity.
   H. Department of Juvenile Corrections - Report on Overtime, Turnover, and Travel Stipend.
   I. State Parks Board - Report on Park Operating Expenditures.

The Chairman reserves the right to set the order of the agenda.
10/17/02

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STATE OF ARIZONA

Joint Legislative Budget Committee

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

September 19, 2002

The Chairman called the meeting to order at 9:42 a.m., Thursday, September 19, 2002, in Senate Appropriations Room 109. The following were present:

Members:	Senator Solomon, Chairman	Representative Knaperek, Vice-Chairman
	Senator Arzberger	Representative Burton Cahill
	Senator Bee	Representative Pearce
	Senator Bennett	Representative Pickens
	Senator Brown	
	Senator Cirillo	
	Senator Rios	
Absent:	Senator Bundgaard	Representative Allen
		Representative Gray
		Representative May
		Representative Weason
Staff:	Richard Stavneak, Director	Cheryl Kestner, Secretary
	Jason Hampton	Brad Regens
	Tim Sweeney	
Others:	Cynthia Odom	Attorney General's Office
	Phyllis Biedess	AHCCCS
	Mark Hoyt	William Mercer
	Tom Betlach	AHCCCS
	Charles Ryan	Prison Operations, ADC
	Joy Hicks	House of Representatives
	Debbie Johnston	Senate
	Tracy Wareing	Attorney General's Office

APPROVAL OF MINUTES

Senator Solomon moved that the minutes of August 22, 2002 be approved. The motion carried.

EXECUTIVE SESSION

Senator Bee moved that the Committee go into Executive Session. The motion carried.

At 9:45 a.m. the Joint Legislative Budget Committee went into Executive Session.

Representative Knaperek moved that the Committee reconvene into open session. The motion carried.

At 9:57 a.m. the Committee reconvened into open session.

<u>Representative Knaperek moved</u> *that the Committee approve the recommended settlement proposal by the Attorney General's Office in the case of Aguirre v. State.* The motion carried.

BOARD OF TECHNICAL REGISTRATION – Consider Approval of Transfer of Appropriations.

Mr. Jason Hampton, JLBC Staff, stated that this item was to correct a technical budgeting error. The amount of $35,400 was intended for the Board of Technical Registration's Personal Services allocation instead of their Employee Related Expenditures allocation. The Board has a Modified Lump Sum and as a result must come before the Committee to transfer monies between the Personal Services and the Employee Related Expenditures line items. The JLBC Staff recommends this transfer.

<u>Representative Knaperek moved</u> *that the Committee approve the transfer of $35,400 from the Arizona Board of Technical Registration's allocation from Employee Related Expenditures into Personal Services for FY 2003.* The motion carried.

AHCCCS - Review of Capitation Rate Changes.

Mr. Tim Sweeney, JLBC Staff, said the Arizona Health Care Cost Containment System (AHCCCS) is required to report capitation and fee-for-service inflationary rate increases with a budgetary impact to the Committee for its review prior to implementation.

JLBC Staff presented 2 options for the Committee to consider on this item. First, the Committee may choose to favorably review these capitation rate changes. Based on actuarial analysis, capitation rate inflation has been set at an average of 4.2%. The current FY 2003 budget assumed the average inflation rate would be 5.2%. JLBC Staff estimates that these lower inflation rates will produce a savings of approximately $4.3 million in FY 2003. AHCCCS is concerned that rates below these levels will negatively affect next year's negotiations with the health plans for new contracts.

The second option is to defer review until plans for addressing the state's FY 2003 General Fund shortfall become clearer. While the proposed rates are within budgeted levels, they provide a 4% inflation adjustment when the Governor is asking state agencies for plans to reduce spending by 10%. Additionally, the Committee may choose to reconsider these capitation rates in light of a potential $10 million to $20 million shortfall in the AHCCCS budget due to caseload growth. While the proposed 4.2% rate may generate $4.3 million to meet this shortfall, there is no current plan for meeting the remaining funding gap.

Representative Knaperek asked what the downside was of deferring this action.

Ms. Jennifer Vermeer, Assistant Director, JLBC Staff, said the capitation rates are required by our waiver to be actuarially sound and 4.2% is the number that was identified by the actuary.

<u>Ms. Phyllis Biedess, Director, AHCCCS</u>, stated that they are putting together some potential policy areas that the Legislature can look at in order to achieve some reductions in state government and in AHCCCS. However, AHCCCS strongly believes that this particular area is not an area that they can afford to have diminished in any fashion. AHCCCS rates are required by the federal government to be actuarially sound, and if they are not the federal government has an option to withhold the federal match. In FY 2002 AHCCCS received, on the program side, $2 billion from the federal government, and that is the amount of money that is potentially in jeopardy. In recent months 3 states have been sued by plans for unsound rates. One case is still pending, but in the other 2 instances the action went against the state, and in some cases with great penalties.

In the last 1½ years with the passage of the Balanced Budget Act the federal government has stepped up its review and on-site overview of what is actuarially sound. Increases for the commercial side have been in the double digit area. In Arizona the state employee's contract was increased by 19%. Overall, in the western region it increased 14%. For other state Medicaid plans their increases were anywhere from 6% to 10%. Arizona is below that rate.

Senator Solomon stated that she and Representative Knaperek discussed delaying the increase and paying it retroactively and asked if that would cause problems.

Ms. Biedess said that AHCCCS has a number of small plans in which cash flow would be a problem for them. They are paying out additional dollars beyond what their cap rate covers. In addition, it would risk greater federal oversight. The federal government will be looking at any rates that are being delayed or are not actuarially sound.

Mr. Mark Hoyt, Senior Actuary, William Mercer, said the rates are matched to time periods, meaning "the payment matches the risk." The rates are calculated on a contract year basis which starts October 1. If they do not receive the rates beginning on October 1 then the rates would not match the risk that they take on at that point in time.

Representative Knaperek asked what the result would be if they were to approve the rate increase but ask the plans not to actually be paid the difference until January.

Mr. Hoyt said there is probably a legal issue which he could not address. From an actuarially soundness point of view if you provided interest to recognize the difference in the timing of when they received the funds then they would be on an equal basis.

Mr. Tom Betlach, Deputy Director, AHCCCS, questioned what the state would gain by deferring implementation to January 1. There would still be a cost with the same fiscal impact for FY 2003. Nothing would be saved but it would lead to uncertainty with regards to the plans and whether or not they are going to get the increase. It would add legal uncertainty in terms of lawsuits and lead to federal uncertainty.

Representative Knaperek said they are possibly facing a Special Session where they would be trying to find ways to deal with the budget shortfall. What the Committee is trying to do is have an actuarially sound rate. They do not want to put themselves in jeopardy for lawsuits, but it would put off part of the problem until they come back in regular session. This could not be done without the cooperation of the providers.

Senator Cirillo stated that Mr. Hoyt said he had certified to the Centers for Medicare and Medicaid Services (CMS) that the rates were done and they were actuarially sound. He asked if they were to change that now would he be obligated to go back to CMS and tell them that changes that had been made.

Mr. Hoyt said the he would be obligated to inform CMS of any changes.

Senator Bennett asked Mr. Hoyt to explain the use of ranges when they are configured in the actuary rates, and do they pick a midpoint when they have range issues.

Mr. Hoyt said they do not always pick a midpoint, but they do establish rate ranges for acceptable bids from the health plan. The plans bid rates during competitive renewals. They are required to bid inside the rate range that is established by William Mercer, which is used by the state to evaluate bids. Plans are paid different rates but it should line up with where they bid 5 or 6 years ago. Not everyone's rates are increased by the same amount.

Senator Bennett asked what the major components are of the inflation adjustment from one year to another. In the company documentation there was reference to a 4% adjustment, 3.5% due to medical trends, and 0.5% due to enrollment choice trend.

Mr. Hoyt said the largest rate of increase for services was hospital, pharmacy, and physicians. There is a separate measurement for the rate of trend for pharmacy. Hospitals are seeing higher rates of increase right now than they have in the recent past, and physicians seem to be relatively flat.

Discussion continued on AHCCCS capitation rates.

Senator Bee moved that the Committee defer review of the capitation rates until the October 1 report from the Centers for Medicare and Medicaid Services is available for the Committee's consideration.

Representative Pickens made a substitute motion that the Committee give a favorable review to a 4.2% increase in Acute Care and Proposition 204 regular capitation rates, a 4.4% increase in Acute Care and Proposition 204 prior period rates, and a 3.4% increase in Arizona Long-Term Care System capitation rates. The substitute motion carried.

DEPARTMENT OF CORRECTIONS (ADC) - Review of Private Prison Request for Proposal (RFP).

Mr. Brad Regens, JLBC Staff, stated that this item is a request by ADC for review of a private prison RFP that was issued by the department in August 2002. The department released an RFP for 1,400 private beds, the first 400 to be ready for operation in March 2003. The last 1,000 to be ready in October 2003. By statute, whenever the department releases an RFP for beds they need to come to the Committee for review. The Committee can suggest modifications to the RFP but the Committee does not look at the bids or the final contract.

The JLBC Staff presented 2 options for this item. The first was to provide a favorable review. This would allow the department to proceed as scheduled which is to award the contract at the end of October and have those beds ready by March. It would also allow the department to address a portion of its bed shortfall. The second option is to defer review and take this issue up at a later date when the Legislature has had a better chance to look at some solutions to the current budget shortfall. There is approximately $2.5 million that has been appropriated to the department from the Corrections Fund for these beds in FY 2003. A deferral would keep the option open to use those monies in a different fashion. Depending on when the Committee decides to look at this issue again, it could affect the ability of a contractor to provide the beds according to the schedule.

Senator Solomon asked what the consequences are of not having those beds available in March.

Mr. Regens said that when the Legislature provided the department with monies they were to keep the overall bed deficit at less than 2,500. Currently, the department is operating with a deficit of about 3,600. One reason the deficit is greater than 2,500 at this time is that the change in legislation for good-time credits does not become effective until the end of October. As a result, there are approximately 700 inmates that were projected to be released in August that are still in the prison system. These beds are part of the plan, along with good-time credits, to keep the deficit under 2,500 beds.

Representative Knaperek asked Mr. Regens to explain good-time credits.

Mr. Regens said good-time credits relate to Arizona's Truth in Sentencing laws, which requires an individual to serve a minimum of 85% of their sentence. For every 6 days of good behavior an inmate gets one day of credit. The statute when Truth in Sentencing was initially passed included jail time towards overall sentences but it did not include jail time towards the calculation of good-time credit.

Chuck Ryan, Deputy Director of Prison Operations, ADC, distributed a handout showing where the department is today. The department has 29,668 inmates in the prison system with a 25,964 designated bed capacity. ADC's growth has been 184 inmates for the past 3 months. The projections that were adopted this last session are at 200 inmates through the end of September and 118 inmates from October of this calendar year through 2006. There are a number of bed strategies being worked on, however, they are all not coming to fruition. The challenge is that they are not able to recruit staff to fill those positions. In terms of the contracted beds, they have filled the 250 emergency beds in 3 private prisons as a result of contract language that existed with those vendors. The Legislature also authorized 229 temporary county jail beds for 6 months. ADC has approached every county jail in the state and right now only have a contract with one, Coconino.

Senator Solomon asked if there were any Maricopa County beds available.

Mr. Ryan said that a letter of invitation had been sent to the Maricopa County Sheriff's department. The jail commander, on behalf of the sheriff, declined the department's proposal because of the stipulations in the Inter-Governmental Agreement (IGA) that were also agreed to by Coconino County. He said the inmates need to be managed considerably different than the jail population.

Representative Knaperek asked why the populations must be managed differently and would they be treated better or worse in a county jail.

Mr. Ryan said there is a condition of confinement issue and distinction. Some inmates are afforded certain privileges that are not possible in a county jail situation. The conditions in the jail are very different from prison. For instance, in prison they would get 3 meals a day to sustain the amount of activity they have. In jail where inmates are sedentary they get 2 meals a day.

Representative Pearce raised the issue of segregation of inmates and said that ADC needs to do whatever is necessary to house inmates regardless of how the inmates are going to be treated. The bottom line is that they will be safe and secure and not mistreated.

Representative Pickens said that ADC is basing their information on projected populations and she questioned whether they will be able to staff these prisons.

Mr. Ryan said this is a privatization proposal and the results are due by the end of the month. There are 9 different vendors that have responded and it appears to be very competitive. One of the factors that is part of the evaluation is where would that prison be sited. If it is located in a rural area adjacent to a state prison complex that is experiencing a high vacancy rate, its probably not going to get a very high score in terms of the siting because of that competitive issue.

Representative Knaperek asked, regarding the temporary custody issue at county jails, if the inmates could be kept longer at jails at the outset rather than transferred to a prison.

Mr. Ryan said he would research that possibility but that he believes they would be faced with the same problems. He said they are required by court order to take the inmate from the county within 7-10 days. Until such time as the inmate is delivered, technically that individual is not considered a state inmate. There are other counties where ADC has to take them within 24 hours.

Representative Knaperek moved that the Committee give a favorable review to the Arizona Department of Corrections' Private Prison RFP.

Mr. Regens raised the issue of when the RFP went out to the public it said that the final 1,000 beds would be open in October, and the footnote in the bill said that they will be open in November. JLBC Staff recommends that the Committee direct the department to have the final beds open in November rather than October.

Representative Knaperek further moved that the final beds be opened by November 2003, as shown in a footnote in the General Appropriation Act. The motion carried.

REPORT ON RECENT AGENCY SUBMISSIONS

These are the recent reports received in the last month and no Committee action was required.

A. Office of Administrative Hearings - Report on Interagency Service Agreements.
B. Attorney General - Report on Model Court.
C. Attorney General - Report on Legal Expenses for Alternative Fuels.
D. Department of Corrections - Report on Inmate Utility Fees.
E. Department of Economic Security - Report on Procurement Rules for the Division of Developmental Disabilities.
F. Department of Emergency and Military Affairs - Report on Camp Navajo Fund.
G. Department of Environmental Quality - Report on Water Quality Assurance Revolving Fund for 4th Quarter for FY 2002.
H. Department of Juvenile Corrections - Report on Restitution Fund.
I. Department of Revenue - Report on Ladewig Expenditure Plan.
J. Arizona Department of Transportation - Report on Highway Maintenance Levels of Service.
K. Arizona Department of Transportation - Report on Tree Clearing Program.

Mr. Stavneak, Director, JLBC Staff highlighted a couple of items.

Regarding legal expenses for the Alternative Fuels contract, legal expenses were much higher than the legal costs for the Attorney General.

Representative Knaperek asked why the legal expenses were so high.

Mr. Stavneak said that there may be an expectation that if the state goes to trial there could be higher expenses as things progress.

Senator Solomon asked Mr. Stavneak to provide more details on the legal expenses.

Mr. Stavneak said the other item he wanted to highlight was the ADOT Tree Clearing Program. ADOT has defined the clear zone as having less then 6 trees within 30 feet of the road. He said there were more than 6 trees in 1,700 of the 6,100 total amount of state highway miles.

Representative Pickens asked about the Model Court numbers and was surprised at the number of children waiting for placement. The Model Court was set up to facilitate quicker placements and she wondered if the state was doing better in this area.

Mr. Stavneak said the state is doing better and the backlog is declining.

Ms. Tracy Wareing, Protective Services Division, Attorney General's Office, said they have made a lot of progress over the last few years. The numbers reflect a breakdown between children who came into care prior to January 1, 1999 and children who came into care afterwards. They show that children are getting into permanent placement, either reunified with their families or into adoption at a much faster pace than before Model Court. There are still a number of children in what was called long-term foster care. Those children are usually ones that have significant disability needs or are very close to turning 18 years of age.

Representative Knaperek asked if they were tracking kids that were in long-term foster care to see if they are being moved around or are they in a stable environment.

Ms. Wareing said they do look at that. The courts and DPS both track the number of placements. In the Attorney General's Office they have not historically tracked that information but recently enhanced their database so they will be able to track this and will provide quarterly reports.

Representative Pickens asked if Ms. Wareing knew of any lost children in the system.

Ms. Wareing said they used to categorize a group of children by case with the courts but now treat them individually so they know where they are.

In reference to the alternative fuels litigation issue, Representative Pearce brought up the cost of litigation and asked if that was a competitive process. He said that all contracts of this nature should be done "in the light of day." He feels one of the greatest abuses in the nation is Attorney Generals, not specifically in Arizona, paying out millions of dollars to the their best friend's law firm for little or no work.

Without objection, the meeting adjourned at 11:35 p.m.

Respectfully submitted:

Cheryl Kestner, Secretary

Richard Stavneak, Director

Senator Ruth Solomon, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 West Adams.

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Joint Legislative Budget Committee

STATE SENATE

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HOUSE OF REPRESENTATIVES

DATE: October 17, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jennifer Vermeer, Assistant Director

SUBJECT: JLBC STAFF - REVIEW OF CALCULATION OF INFLATION FOR TRANSACTION PRIVILEGE TAX COUNTY WITHHOLDING

Request

A.R.S. § 11-292P requires the JLBC Staff to calculate an inflation adjustment for the counties' contributions for Proposition 204 administration costs. This item does not technically require a review by the Committee as the statute requires the JLBC Staff to perform the calculation. However, since this is the first time this calculation is being made, the Staff requests the Committee review the methodology for the calculation.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of a $5,118,200 county contribution for Proposition 204 administration costs. Pursuant to A.R.S. § 11-292P, the calendar year 2001 Gross Domestic Product (GDP) price deflator was used in the calculation, consistent with the Economic Estimates Commission's calculation for county expenditure limits.

Analysis

The Proposition 204 program expanded coverage in the AHCCCS program up to 100% of the Federal Poverty Level. Prior to Proposition 204, counties retained responsibility for the health care costs for some individuals who did not qualify for AHCCCS. This responsibility was eliminated as part of the Proposition 204 legislation. In return, the counties were required to pay for some of the costs of the Proposition 204 program, including a contribution for administration costs. A.R.S. § 11-292P requires the State Treasurer to withhold $5,000,000 from the Transaction Privilege Tax (TPT) distribution to counties for these costs.

(Continued)

Beginning in FY 2003, A.R.S. § 11-292P also requires this amount to be adjusted for inflation as calculated by the JLBC Staff. The statute further specifies that the Gross Domestic Product (GDP) price deflator used in the calculation of county expenditure limits by the Economic Estimates Commission (EEC) be used as the inflation index for the calculation. In calculating the FY 2003 expenditure limits, the EEC used the calendar year 2001 GDP price deflator.

The Economic and Business Research Program at the University of Arizona estimate of the GDP price deflator for calendar year 2001 is 2.37%. Using this estimate, the inflation adjustment is $118,200. Thus, the total amount to be withheld for the county contribution for FY 2003 is $5,118,200.

The statute is not entirely clear about whether the inflation adjustment begins in FY 2003 or in the next fiscal year, FY 2004. We contacted Legislative Council for their interpretation and they opined that the adjustment begins in FY 2003. In FY 2004, a new adjustment for population begins. As a result, from FY 2004 onward the county contribution amount will be adjusted annually for both inflation and population growth.

RS/JV:lm

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DATE: October 16, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jill Young, Fiscal Analyst
Lorenzo Martinez, Principal Fiscal Analyst

SUBJECT: ARIZONA BOARD OF REGENTS – REVIEW OF EXPENDITURE PLAN FOR ADDITIONAL FY 2003 TUITION REVENUES

Request

Pursuant to a footnote in the General Appropriation Act (Laws 2002, Chapter 327), the Arizona Board of Regents (ABOR) is submitting a report on FY 2003 tuition revenue amounts that are different from the amounts appropriated by the Legislature and expenditure plan for Committee review.

Recommendation

The JLBC Staff recommends a favorable review of the request.

Systemwide, FY 2003 tuition collections are estimated to be $31,665,100, or 13%, more than tuition amounts appropriated by the Legislature. The higher amount is due to increases in tuition approved by ABOR in April 2002, enrollment growth, and the mix of resident versus non-resident students.

Analysis

Footnotes in the General Appropriation Act (Laws 2002, Chapter 327) require ABOR to inform the Committee of any tuition revenue amounts that are different from the amounts appropriated by the Legislature to each university. The same footnotes also appropriate tuition collections above the appropriated amounts to each university for operating expenditures, capital outlay, and fixed charges.

An additional clause was added to the previous footnote (explained above) requiring ABOR to submit an expenditure plan for any tuition revenue amounts that are greater than the appropriated amounts to the JLBC for its review.

(Continued)

The following table shows the tuition amounts above (or below) the appropriated levels for each university.

Tuition Revenue Above/(Below) Appropriated Amounts	
ASU-Main	$18,818,200
ASU-East	523,400
ASU-West	2,305,500
NAU	(511,400) 1/
UofA-Main	9,653,300
UofA-Health Sciences Center	876,100
TOTAL	**$31,665,100**

1/ Technically NAU has a $4,511,400 decrease in collections, however, NAU received a $4 million General Fund increase to offset debt service payments paid by tuition revenue in FY 2003.

ABOR reports the increased amounts are due to increases in tuition approved by ABOR at its April 2002 meeting, enrollment growth, and the mix of resident versus non-resident students. The following table shows the changes in resident and non-resident tuition and fees from FY 2002 to FY 2003.

	Resident Tuition & Fees				**Non-Resident Tuition & Fees**			
	FY 2002	FY 2003	$ Change	% Change	FY 2002	FY 2003	$ Change	% Change
ASU	$2,486	$2,583	$97	3.9%	$10,352	$11,103	$751	7.3%
NAU	2,486	2,583	97	3.9%	9,328	10,079	751	8.1%
UofA	2,486	2,583	97	3.9%	10,352	11,103	751	7.3%

The additional amounts will be used to provide support for ongoing services and program enhancements. The following table shows the expenditure plan submitted by ABOR for the additional $31.7 million of tuition revenue in FY 2003.

Uses of Increased Tuition Revenues	
ASU-Main	Provides additional class sections and computing support for about 43,000 FTE students (an 1,800 increase over last year); supports an unfunded health insurance rate increase and a contingency for an estimated state collections shortfall; and enhancements in Law and Business programs supported from Special Program Fee Revenue.
ASU-East	Supports additional academic and student services staff to serve a growing student enrollment.
ASU-West	Supports a record high 5,053 FTE student enrollment by adding class sections; provides additional chairs/tables to maximize seating capacity in every classroom; and adds library resources and student services to address workload demands.
NAU	Reduction of $4 million is related to a General Fund offset for an increase in debt service payments with no negative impact on the overall operating budget.
UofA-Main	Supports increased electric & natural gas costs, operations and maintenance of facilities, library acquisitions, diversity and outreach improvements in response to NCA review.
UofA-Health Sciences Center	Supports instructional and academic support services.

RS:JY:ss

ARIZONA
BOARD OF
Regents

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SEP 2 6 2002

September 25, 2002

The Honorable Randall Gnant
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Dear Senator Gnant:

A footnote included in the General Appropriations Act requires that the Arizona Board of Regents inform the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the Legislature. Attached for your information is a summary report of tuition revenues reported to the Board of Regents at its August 2002 meeting.

If you have any questions, please do not hesitate to call me at 229-2505.

Sincerely,

Linda J. Blessing

Linda J. Blessing
Executive Director

xc: Representative Jim Weiers
Richard Stavneak, Director, JLBC
Kristine Ward, Director, OSPB

ARIZONA UNIVERSITY SYSTEM
TUITION AND FEES IN SUPPORT OF THE
2002-03 STATE OPERATING BUDGET

	STATE COLLECTIONS			
	AS REPORTED IN THE 2002-03 ALL FUNDS OPERATING BUDGET REPORT	AS APPROPRIATED BY THE LEGISLATURE	CHANGE	USE OF INCREASED TUITION REVENUES
Arizona State University Main	128,276,500	109,458,300	18,818,200	Provides additional class sections and computing support for about 43,000 FTE students (an 1,800 increase over last year); supports an unfunded health insurance rate increase and a contingency for an estimated state collections shortfall; and enhancements in Law and Business programs supported from Special Program Fee Revenue.
Arizona State University East	6,977,600	6,454,200	523,400	Supports additional academic and student services staff to serve a growing student enrollment.
Arizona State University West	6,431,300	4,125,800	2,305,500	Supports a record high 5,053 FTE student enrollment by adding class sections; provides additional chairs/tables to maximize seating capacity in every classroom; and adds library resources and student services to address workload demands.
Northern Arizona University	25,691,100	30,202,500	(4,511,400)	Reduction of $4 million is related to a general fund off-set for an increase in debt service payments with no negative impact on the overall operating budget.
University of Arizona	93,973,400	84,320,100	9,653,300	Support increased electric & natural gas costs, operations and maintenance of facilities, library acquisitions, diversity and outreach improvements in response to NCA review.
University of Arizona Health Sciences Center	7,972,600	7,096,500	876,100 692,100	Support instructional and academic support services.
TOTAL	269,322,500	241,657,400	27,665,100	

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1716 WEST ADAMS
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http://www.azleg.state.az.us/jlbc.htm

DATE: October 17, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF HEALTH SERVICES – REVIEW OF EXPENDITURE FROM THE VITAL RECORDS ELECTRONIC SYSTEMS FUND

Request

Pursuant to Laws 2002, Chapter 160, the Department of Health Services requests review of a plan to spend $94,000 from the Vital Records Electronic Systems Fund for a consultant to evaluate the needs of a new system. Statute requires that prior to expenditure of monies from this fund for the purchase of new information technology, a detailed expenditure plan be submitted to JLBC for its review. DHS does not yet have a detailed expenditure plan, and will rely on the work of the consultant to develop a plan.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the plan to spend $94,000 from the Vital Records Electronic Systems Fund for a consultant to develop basic system requirements for a new information system for Vital Records. The department would then return to the Committee for a review of its detailed plan, once it is developed.

Analysis

Laws 2002, Chapter 160 authorized the creation of a Vital Records Electronic Systems Fund for the purpose of funding a new vital records information system. The fund receives revenues from a fee increase of $4 on requests for birth and death records. The chapter specifies that DHS must submit a detailed expenditure plan to JLBC for its review, after it receives approval from the Government Information Technology Agency (GITA). DHS does not yet have a detailed expenditure plan available. In order to develop this plan, DHS will rely on the work of a consultant. The consultant will determine the necessary business requirements for the new system. These requirements will help guide the purchase of both hardware and software for the project. DHS is requesting a favorable review of the plan to spend $94,000 for a consultant in order to develop a detailed plan. JLBC Staff recommends a favorable review of this expenditure.

RS/GG:ck

Arizona Department of Health Services

Office of the Director

1740 W. Adams Street
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(602) 542-1062 FAX

JANE DEE HULL, GOVERNOR
CATHERINE R. EDEN, DIRECTOR

RECEIVED
OCT 14 2002
JOINT BUDGET COMMITTEE

October 15, 2002

The Honorable Ruth Solomon
Chairman, Joint Legislative Budget Committee
1700 West Washington Street – Senate Wing
Phoenix, Arizona 85007

Dear Senator Solomon:

I am writing to request placement on your next Joint Legislative Budget Committee (JLBC) meeting agenda in regard to the Vital Records Electronic Systems Fund established by Laws 2002, Chapter 160. The law requires JLBC review of a detailed expenditure plan before the Department can spend monies for new technology purchases from the Vital Records Electronic Systems Fund. In addition, the Government Information Technology Agency (GITA) must approve any purchase request in the plan prior to the Department's submission of the plan to JLBC.

We have been in conversation with GITA and agree that a consultant is needed before we can develop the best purchase proposal for the required expenditure plan. The consultant is necessary to help us determine the most appropriate solutions for the Department's business requirements that ultimately will result in computer hardware and software purchases that best fit our needs. The cost of the consultant is estimated at $94,000. Therefore, I am requesting initial approval to expend up to $94,000 from the Vital Records Electronic Systems Fund for the consultant's cost.

After work with the consultant has been completed, the Department will be in the position of providing JLBC with the detailed new technology purchase plan required. We plan to bring that plan to JLBC as soon as it is completed and approved by GITA.

Please feel free to contact my staff or me if you have any questions.

Sincerely,

Cathe R Eden

Catherine R. Eden
Director

CRE:pm

cc: Representative Laura Knaperek, Vice Chairman
Kristine Ward, Acting Director, Governor's Office of Strategic Planning and Budgeting
Christine Sato, Budget Analyst, Governor's Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee
Gina Guarascio, Senior Fiscal Analyst, Joint Legislative Budget Committee
Danny Valenzuela, Deputy Director, Arizona Department of Health Services (ADHS)
Eric Hedlund, Assistant Director, Information Technology Services, ADHS
Rose Conner, Assistant Director, Public Health Division, ADHS
Pat Mah, Director, Central Budget Office, ADHS

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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HOUSE OF REPRESENTATIVES

DATE: October 17, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY –– ADJUSTMENTS TO GENERAL ASSISTANCE PROGRAM

Request

Pursuant to A.R.S. § 46-207, the Department of Economic Security (DES) requests that the Committee determine adjustments to the General Assistance (GA) program due to a projected insufficiency of funds in the program for FY 2003.

Recommendation

This item is for information only at the October meeting. It is the Chairman's intent that the Committee vote on the DES plan at the Committee's November meeting.

Analysis

The General Assistance program provides financial assistance to persons who are unemployable because of a physical or mental disability. Eligibility is limited to 12 months out of every 36-month period. Pursuant to changes in Laws 2002, Chapter 329 (the Health Omnibus Reconciliation Bill, or "ORB"), the department is required to provide GA benefits only to clients they believe will qualify for federal Supplemental Security Income (SSI) benefits. SSI provides cash benefits to low-income elderly, blind, or disabled persons.

The department received a FY 2003 appropriation of $2,130,400 General Fund (GF) for GA benefits. DES currently projects, however, a FY 2003 deficit of approximately $1.9 million GF. This deficit is expected to occur even after the department required each GA recipient to come into eligibility offices in mid-August to have their eligibility verified under the new requirements of the Health ORB. The deficit is the result of two issues: increasing caseloads and understimates of the percentage of clients continuing to be eligible under the new requirements. At the time the FY 2003 budget was finalized, it was assumed

(Continued)

that the GA caseload (without the new requirements) would be 2,600 clients. DES estimated that at least half of the clients would become ineligible for GA under the new requirements, reducing the caseload to 1,300 clients. However, by July 2002, the GA caseload had climbed to 3,719, or 43% higher than the 2,600-client level originally assumed. In addition, the new eligibility requirements have only reduced the caseloads by about 27%, not 50% or more as originally estimated.

DES is projecting that it will have a deficit of $(1,946,000) by the end of FY 2003 and that it will run out of money for the program by December.

A.R.S. § 46-207B states the following:

> "If the total monies available for payment of assistance grants are not sufficient to meet the maximum amount for which each applicant or recipient is eligible by law, the department shall notify the joint legislative budget committee of the insufficiency of monies and shall make recommendations on how to overcome the insufficiency. The department shall not recommend reductions of an equal amount from every grant in each category of assistance, but shall take into consideration the needs of the applicants or recipients, and shall recommend the reductions necessary by specifying the percentage of budgeted needs which may be met within the maximums established in accordance with subsection A of this section. The department shall make the adjustments determined by the joint legislative budget committee."

Pursuant to this requirement, the department has notified the Committee of its projected insufficiency of funds. There are several potential options available to the Committee:

1. Running the program until it has exhausted all funding: DES recommends this option.
2. Implementing a waiting list: This is the only other option mentioned by DES. DES does not favor this option because implementing a waiting list would require additional departmental resources.
3. Reduce benefits to some clients more than others: DES did not suggest this option. One problem with this option is that the GA population is relatively homogeneous, which would make it administratively difficult to develop a system for providing different levels of benefits based on non-financial criteria. We would note that persons for whom drug and alcohol abuse caused their disability are now no longer eligible for GA since they are ineligible to receive SSI.
4. Keep full benefits for first few months but then phase out benefits: DES also did not suggest this option. DES says most GA clients are more in crisis in the first few months of GA receipt.

We need to solicit additional legal advice as to whether all 4 options are permitted under statute. A.R.S. § 46-207B, however, does appear to give the Committee broad latitude in making changes to the General Assistance program.

The Chairman has placed this item on the Committee's October agenda for information only. It is the Chairman's intent to vote on the DES plan at the Committee's November meeting. In the interim, we would have another month of caseload data to confirm the current caseload trends and get additional input on any relevant legal issues. We would also have additional time to get information on SSI recoupments. This is important because the federal government pays back the state for all GA payments made to clients approved for SSI. Now that the GA population is theoretically composed only of clients expected to qualify for SSI, we would expect to see higher levels of SSI recoupments, thereby decreasing the program's General Fund costs. JLBC Staff also would like additional information on SSI approval and denial statistics for GA clients.

RS/SSh:jb

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Jane Dee Hull
Governor

1717 West Jefferson - P.O. Box 6123
Phoenix, Arizona 85005

John L. Clayton
Director

SEP 6 2002

The Honorable Ruth Solomon
Chairman, Joint Legislative Budget Committee
Arizona State Senate
1700 W. Washington
Phoenix, Arizona 85007

Dear Senator Solomon:

The Department of Economic Security respectfully requests to be placed on the September JLBC meeting agenda to notify the Committee of the insufficiency of funds in the General Assistance Program and to make recommendations on how to address the shortfall. We believe this is necessary to comply with Arizona Revised Statute 46-207.

Additional information including projected caseloads based on the new restrictive eligibility criteria will be provided to Stefan Shepherd, by Monday, September 9, 2002 for his review. Karen McLaughlin, Financial Services Administrator, is prepared to discuss this issue in greater detail with Stefan Shepherd prior to the committee meeting.

Please contact me at 542-5678 if you have any questions.

Sincerely,

John L. Clayton

c.
The Honorable Laura Knaperek
Vice Chairman, Joint Legislative Budget Committee

Table B

General Assistance Program Will Be Out of Funds by December 2002

It Is Estimated That $1,946,000 is Needed to Meet the Need Under the General Assistance Program

Month	Cases (A)	Benefits (B)	YTD (C)	Remaining Funds (D)	SSI (E)	Expenditures (F) Advocates + Medical
Jul-02	3,719	$574,574	$574,574	$1,633,412	$110,919	$33,333
Aug-02	3,596	$549,216	$1,123,790	$1,164,975	$114,112	$33,333
Sep-02	2,699	$412,600	$1,536,390	$845,276	$126,234	$33,333
Oct-02	2,500	$381,661	$1,918,051	$530,282	$100,000	$33,333
Nov-02	2,470	$377,081	$2,295,132	$219,868	$100,000	$33,333
Dec-02	2,440	$372,501	$2,667,633	-$85,966	$100,000	$33,333
Jan-03	2,440	$372,501	$3,040,134	-$391,800	$100,000	$33,333
Feb-03	2,440	$372,501	$3,412,635	-$697,634	$100,000	$33,333
Mar-03	2,440	$372,501	$3,785,136	-$1,003,468	$100,000	$33,333
Apr-03	2,440	$372,501	$4,157,637	-$1,309,302	$100,000	$33,333
May-03	2,440	$372,501	$4,530,138	-$1,615,136	$100,000	$33,333
Jun-03	2,440	$372,501	$4,902,639	-$1,946,001	$74,969	$33,333
Total					$1,226,234	$399,996

Notes:

1. Cases (A). July, August and September 2002 cases are based on actual caseloads. The cases for the remainder of the year are an estimate.
2. Benefits (B). July,August and September 2002 Benefits are based on actual caseloads. The Benefits for the remainder of the year are an estimate.
3. YTD Expenditures (C). July, August and September 2002 Expenditures are based on actual expenditures. The Expenditures for the remainder of the year are an estimate.
4. Remaining Funds (D). Remaining funds are calculated by taking SFY 2003 appropriations of $2,130,000 ; adding SFY 2002 estimated SSI benefits (E); and subtracting Benefits (B) and Expenditures (Advocates for the Disabled and Medical Exams) (F).
5. SSI (E). SSI funds are based on estimated SSI payments for SFY 2003 of $1,200,000, divided by 12 months. (July - August 2002 SSI are based on actual payments. The remainder of SFY 2003 payments are estimated based on SFY 2002.)
6. Expenditures (F). Expenditures are based on Advocates for the Disabled plus Medical Exams expenditures, divided by 12 months. (Medical Expenditures are based on SFY 2002 expenditures).

10/11/02

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
1717 W. Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

Jane Dee Hull
Governor

John L. Clayton
Director

SEP 13 2002

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SEP 13 2002
JOINT BUDGET COMMITTEE

The Honorable Ruth Solomon
Chairman, Joint Legislative Budget Committee
Arizona State Senate
1700 W. Washington
Phoenix, Arizona 85007

Dear Senator Solomon,

I am writing to provide additional information on the General Assistance program as a follow up to my letter dated September 6, 2002.

The Department has provided JLBC staff with information about the current General Assistance caseload and projections for the remainder of the fiscal year. While the new statutory criteria that more closely links eligibility to SSI eligibility is being applied, the caseload has not declined sufficiently to stay within the current appropriation level.

We have explored options to address the shortfall but we believe that many of these options would require statutory changes (e.g. not providing caretaker benefits, reducing the length of time individuals may receive benefits, not providing benefits during appeals to the Social Security Administration, changing payment amounts, etc.) We believe that there are two non-statutory options to stay within the appropriated level: implementation of a waiting list or continuation of benefits until funds are exhausted.

Our current estimates indicate that a waiting list would have to be implemented in October and based on attrition, individuals may have to wait five (5) months until they could begin to receive benefits. The preferred approach would be to continue to provide benefits as long as funds are available since many individuals are in more of a crisis at the time of initial application and we would not have to devote resources to managing a waiting list. We estimate that funds would be exhausted in December 2002.

We are prepared to present this information at the September 19th JLBC meeting if you choose to put this on the agenda. Please contact me at 542-3937 if you need additional information.

Sincerely,

John Clayton

John Clayton

c. Laura Knaperek

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: October 17 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Paul Shannon, Senior Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION — BIMONTHLY REPORT ON THE IMPLEMENTATION OF SELF-INSURANCE FOR STATE EMPLOYEE HEALTH INSURANCE

Request

As required by Laws 2002, 2nd Regular Session, Chapter 328, the Arizona Department of Administration (ADOA) has submitted the first bimonthly report on the implementation of self-insurance for the state employee health and dental insurance plans.

Recommendation

This report is for information only and no Committee action is required. ADOA reports that the project is proceeding as planned and that, barring any new legislative mandates on employee health insurance, they can comply with the provisions of A.R.S. § 38-651 requiring the department to self-insure health and dental coverage by October 1, 2003. ADOA notes that they would prefer to have an additional 3 months to ensure that the project is implemented thoroughly and efficiently. ADOA also believes delaying the implementation for 1 year should be considered to ensure the state is fiscally strong enough to handle the financial requirements of self-insurance.

While ADOA finds that self-insurance is consistent with the state's goals in providing quality, cost effective health care to employees/retirees while maintaining financial efficiency, ADOA does not believe self-insurance will reap any significant reduction in health/dental expenditures.

Analysis

Laws 2002, Chapter 328 amended A.R.S. § 38-651 to require ADOA to self-insure the medical and dental plans offered to state employees, and to implement those self-insured plans, with Committee approval, by October 1, 2003. This date coincides with the expiration of the current health and dental plan contracts.

(Continued)

ADOA began the process of implementing self-insurance in the last quarter of FY 2002. ADOA received an appropriation of $1.5 million from the Special Employee Health Insurance Trust Fund (HITF) in addition to their regular operating budget for health insurance administrative costs. Using those funds, ADOA contracted with Mercer Human Resources Consulting ("Mercer") to assist in the program implementation and organizational transition. ADOA reports that as of September 30, 2002, $151,100 of the $1.5 million has been expended, both for the project manager salary and Mercer costs.

ADOA formed the Self-Insurance Advisory Council (SIAC) consisting of representatives from 9 large agencies, the Supreme Court, the Arizona Board of Regents, the 3 universities, the Arizona State Retirement System/Public Safety Retirement System, the Governor's Office of Strategic Planning and Budgeting, JLBC Staff, House and Senate Staff, and a retiree representative. The first meeting of the SIAC occurred on August 6th and there have been 3 meetings since that time.

ADOA has identified 6 contracts necessary to implement self-insurance. These contracts are for medical services, dental services, pharmacy benefits management, utilization review/disease management, stop-loss insurance, and a third party administrator. The primary manager of a self-insurance program would be the third party administrator, who would monitor and integrate the implementation of the other 5 contracts. The medical services and dental services contracts would not be made directly with medical and dental services providers. Instead, the contracts would be made with existing medical and dental plans that have their own networks of providers. Similarly, the pharmacy benefits manager contract engages a network of affiliated pharmacies statewide, and will also provide a mail-order pharmacy service. The utilization review/disease management contract will assist in the medical management of severe or identified medical conditions and is staffed with medical personnel. Finally, the stop-loss insurance contract consists of insurance against extremely high cost medical conditions.

It is possible that all of the 6 contracts could be awarded to 1 service provider. ADOA indicates that the use of 6 separate contracts will allow the department to chose "best of class" providers that specialize in each of the 6 components of health care service. The department will have a better idea about the structure of the contracts when they receive responses to the Request for Proposals that will be offered by mid-November of this year. Those responses are expected to be received and analyzed by February 2003.

Under self-insurance, the role of ADOA is to manage all vendor activities and to pay all the actual claims that are incurred by state employees as they relate to their personal health and dental care. ADOA will continue in its current responsibilities: eligibility determination, payroll deduction, retirement deductions and/or direct payments, open enrollment, and the financial management of the HITF fund, as well as other benefit management activities such as provisions of life insurance, short- and long-term disability insurance, flexible spending accounts, vision coverage, and state employee day care center oversight.

ADOA has identified several issues that will affect their FY 2004 budget. Self-insurance will require an increased level of financial management, especially in the area of reconciliation of benefit claims and the analysis of those claims. While some of these responsibilities could be overseen by the third party administrator contract, the department feels that contract management is properly their responsibility. ADOA will also be responsible for increased vendor oversight, including significantly more reporting and performance standards associated with the 6 contracts. As part of its FY 2004 budget request, ADOA has requested an additional 8.5 FTE Positions and associated expenditures of $490,200 from the HITF fund.

A further issue associated with self-insurance is the appeals process, where state employees can appeal decisions about the provision of health care. In the current CIGNA contract, 1st and 2nd level appeals are handled internally by CIGNA; the 3rd appeal is heard by the Office of Administrative Hearings (OAH). Since the statutes that apply to CIGNA are not valid in a self-insured environment, ADOA has suggested 2 alternatives:

(Continued)

- Creating an arrangement with the OAH, with appeals past that point handled by the ADOA Director, or litigated in the Superior Court.
- Contracting with an Independent Review Organization that is staffed with medical professionals. This suggested review is medically based, but does not include the presence of the medically affected individual.

The department does not feel that this review function can be made part of the medical or dental services contract due to implicit conflict of a provider reviewing its own medical decisions. ADOA will continue to research these options and will report on their results in their next bimonthly report.

ADOA also is preparing contingency plans for health and dental insurance should the Legislature and the Executive agree that the implementation schedule is inappropriate. These options include renewing the existing CIGNA contract and delaying the implementation of self-insurance.

Finally, ADOA reports a “major concern” regarding the financial reserves necessary to fund contingencies associated with self-insurance. ADOA estimates, on the advice of actuaries, that reserves of 18%-26% of annual incurred claims are necessary for the financial stability of the program. This would imply reserves of approximately $72 million to $104 million, based on estimated annual claims of $400 million. ADOA estimates that the reserve build-up can occur in the course of the first fiscal year by utilizing the delay between the receipt of premiums and the expenditure of claims. While using this method will generate a significant cash balance in the HITF fund, this balance will be to some degree encumbered for the payment of future claims. This is a weakness in ADOA’s proposal, since there is not a truly unencumbered reserve amount available for unanticipated contingencies.

RS:PS:ss

JANE DEE HULL
GOVERNOR

J. ELLIOTT HIBBS
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION
HUMAN RESOURCES DIVISION
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RECEIVED
OCT - 2 2002
JOINT BUDGET COMMITTEE

October 1, 2002

The Honorable Ruth Solomon
Chair, Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007

Dear Senator Solomon:

Attached is the first bimonthly report on the implementation process of self-insurance. This bi-monthly report is required pursuant to Chapter 328, 45^{th} Legislature, 2^{nd} Regular Session. We look forward to sharing the progress with you and the Committee at the October meeting of the Joint Legislative Budget Committee. If you have any questions related to this report, please contact me at 542-4788.

Sincerely,

Susan Strickler
Self-Insurance Project Manager

SS/KP/lg

cc: J. Elliott Hibbs, Director, ADOA
Kathy Peckardt, Human Resources Director
Richard Stavneak, Director, JLBC
Kristine Ward, Acting Director, OSPB

ADOA

Arizona Department of Administration

Self-Insurance Progress Report

October 1, 2002

Chapter 328, 45th Legislature, 2nd Regular Session, mandates the Arizona Department of Administration (ADOA) to self-insure group health and dental benefits by October 1, 2003 and requires bi-monthly reporting on the implementation progress. ADOA has developed a plan to implement self-insurance by October 1, 2003. The following outlines the progress to date in key areas of program implementation:

Project Budget

HB2708 appropriated $1.5 million in FY '03 for costs associated with the implementation of the self-insurance program.

Identified expenditures are:

- A Project Manager
- Communication costs
- Professional and outside services

Interviews were conducted for a Project Manager. Due to the condensed implementation timeframes and unique procedures associated with State government (procurement process, legislative requirements, budget restraints, etc.), the current Benefits Manager was appointed as the Self-Insurance Project Manager. This enabled ADOA to lower potential program expenses, since existing staff, operating equipment, and current resources could be utilized at no additional cost to the program.

The consulting firm of Mercer Human Resource Consulting had previously been assigned by ADOA to assist in the facilitation of the CIGNA contract renewal. Based on the success of this renewal and Mercer's experience in state implementation of self-insurance, the firm was secured for program implementation and organizational transition.

The following table outlines the anticipated and incurred-to-date budget expenditures related to the implementation of self-insurance:

	Anticipated	Incurred as of 9/30/02	Appropriation
			$1,500,000
Personal Services			
Project Manager	$ 68,200	$ 11,847	
Assistance-40%[1]	$ 17,500		
Employee Related Expenditures			
PM- 24% ERE	$ 15,000	$ 2,520	
Assistance- ERE	$ 3,900		
Communication Costs[2]	$ 150,000		
Professional and Outside Expenditures			
Mercer Consulting	$1,195,400	$136,735[3]	
Alternative Analysis[4]	$ 50,000		
Total	**$1,500,000**	**$151,102**	
REMAINING BALANCE			**$1,348,898**

[1] Staff assistance will be necessary on a part-time basis for activities associated with implementation. It is estimated this will be required at 40% of the associated FTE.

[2] Four direct-mail newsletters will be distributed to employees/retirees between the months of October and March explaining the transition to self-insurance and necessary plan information.

[3] Mercer invoices- $51,997 incurred in July; $84,738 incurred for August

[4] A scope of work has been distributed to all contracted consulting firms for analysis and advantages/disadvantages of all available options for group health/dental coverage during FY '04. The scope will be awarded within the next 15 days.

Project Timeline- Appendix A

The timeline attached displays the program implementation deadlines and estimated timeframes anticipated with the specified activities.

Roles and Responsibilities- Appendix B

The attached matrix illustrates the identified roles and responsibilities between ADOA and Mercer Human Resource Consulting.

Self-Insurance Advisory Council

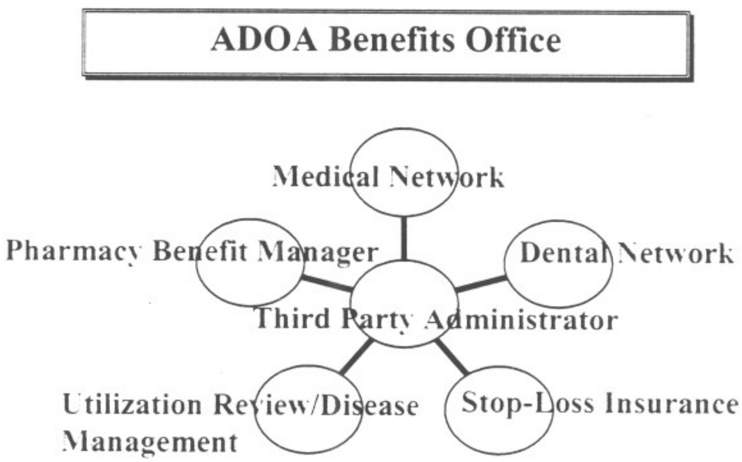
This council was established to provide an open forum in which agencies, universities, and retiree representatives could offer feedback and ensure this feedback is incorporated from all customer segments by ADOA. The Council is comprised representatives of:

- ✓ 9 Large Agencies
- ✓ Supreme Court
- ✓ Board of Regents
- ✓ The 3 Universities
- ✓ ASRS/PSRS
- ✓ OSPB/JLBC
- ✓ Retiree Representatives
- ✓ House/Senate Staff

The Council initially met on August 6, 2002, with two subsequent meetings held to date. Meetings will be held semi-monthly through December until the required Request for Proposals (RFPs) are released.

Program Vendors

Six vendors will be required for program operation:



- Third Party Administrator: The third party administrator will perform the day-to-day operations of the program. This will include payment of claims; call center operation for incoming medical and network calls; accumulation of utilization data for program analysis; and integration of the 5 service vendors.

- Medical Network: **ADOA will <u>not</u> contract with medical providers directly**. Medical networks are available for "rent"- or a fee to use what has already been established. These networks handle all of the operational and administrative functions associated with medical contracting and will perform the physician credentialing, facility accreditation, and network enhancement necessary to provide the State with physicians, hospitals, and medical facilities for the program. The network provider will also administer quality assurance guidelines. **<u>The State will contract with the network, therefore, the legal liability associated with direct physician care, credentialing and questionable facility accreditation will be avoided</u>**.

- Pharmacy Benefit Manager: **The Pharmacy Benefit Manager (PBM) will supply a network of affiliated pharmacies statewide.** The PBM will also provide a mail-order pharmacy service to assist in the reduction of costs. PBMs traditionally operate from a clinical perspective- not cost driven like an insurance company. This will provide greater flexibility with pharmacy issues and allow for better management of prescription costs. The PBM will also provide analytical data to assist the State in policy decisions impacting pharmaceutical costs such as emphasis on generic drugs, formulary performance, and possible modifications on the State requirements for program improvement.

- Utilization Review/Disease Management: The Utilization Review (UR) provider will assist in the medical management of severe or identified conditions. This provider will be staffed with medical personnel, including RN's and a Medical Director. The UR provider will assist in standard industry practices within the medical industry, such as average inpatient hospital stays and physical therapy guidelines. The UR provider will work in tandem with the third party administrator, the medical/dental network and the State. The UR provider will track medical and dental utilization patterns to assist the State in targeting key areas for improvement or modification of the program.

- Dental Network: Again, the State will "rent" a dental network for statewide coverage. This network will be responsible for quality assurance, dental accreditation, availability of specialty providers, and contract issues.

- Stop-Loss Coverage: The State will bid on stop-loss insurance coverage to protect the Fund from higher-than-expected costs. The State will only be responsible for claims under a specified limit, such as $250,000. This will allow the State to monitor the frequency of severe claims for reserve and financial purposes. This coverage is necessary during the beginning phase of self-insurance while claim history is developed and reserves are being built. Coverage will be reviewed within 3 to 5 years for possible termination.

The ADOA Benefits Office will manage all vendor activities. The additional responsibilities associated with self-insurance are discussed below under "Benefit Operations".

RFP Distribution

Program RFPs are in development and scheduled to be released in November. It is anticipated the responses will be received by February and contract awards are scheduled to take place in March. This will afford the State sufficient time to synchronize eligibility data, work with the various contractors for program coordination, and prepare for a full-positive Open Enrollment in August. The RFP committees will consist of Self-Insurance Advisory Council members and other specialists within the State.

Benefit Operations

The ADOA Benefits Office will continue to be responsible for eligibility determinations, payroll deductions, retirement deductions and/or direct payments, open enrollment, all financial activities related to Fund management, vendor management (life insurance, short-term disability, long-term disability, flexible spending accounts, vision coverage, day care center oversight) and agency assistance on benefit issues. The self-insured program will add or enhance to the Benefit Operations the following responsibilities:

- Financial Management and Accounting- Additional reconciliation will be necessary to ensure accurate premium payments are deposited from the payroll system, direct payments are deposited on a timely basis, and all exception reports are immediately reconciled. The Benefits Office will be responsible for increased reconciliation, data and trend analysis, and comparisons of Fund cash flow to member eligibility.

- Vendor Management- The State will be responsible for increased vendor oversight. Currently, there are minimal performance standards within the CIGNA contract related to financial and data reporting. With the advent of self-insurance, significant reporting and performance requirements will be necessary to maintain member satisfaction and fund solvency.

- Program Overview and Management- There will also be significant data and trend analysis required for program management. Oversight will also be necessary for continual program flow, customer satisfaction, and program development.

Due to the above increased responsibilities, ADOA has requested 7 additional FTEs as part of the FY '04 budget request, transfer of 1.5 FTEs from the Pro-Rata Fund and reclassification of 5 current HITF positions, for a total of $490,200 (NOTE: Staffing levels would still be below staffing levels of other states that oversee a self insurance program):

Total FTE Request	**8.5**
Personal Services	**$ 377,100**
Employee Related Expenses	**$ 78,600**
Operating Expenses (Supplies, etc.)	**$ 24,000**
Equipment- 7 PCs ($1,500 each)	**$ 10,500**
TOTAL FTE & Associated Expenditures	**$ 490,200**

Appeals Process

ADOA continues to research options for an appeals process. Currently, CIGNA handles all first and second level appeals. Arizona statutes governing health plans require the Department of Insurance to handle and monitor appeals above the first and second level. This is done through the Office of Administrative Hearings. Arizona governing statutes and Department of Insurance requirements, which apply to private insurance companies, would not be applicable for the self-insured program. Therefore, an internal appeals process must be created which may or may not mirror established procedures for private industry.

Other states have created an appeals board or governing entity to handle employee or retiree appeals. Due to the present budget constraints, ADOA is exploring options currently available within the State structure. This involves two choices:

- Office of Administrative Hearings- All appeals above the third-party administrator level would go directly to the Office of Administrative Hearings (OAH). An Administrative Law Judge (ALJ) would evaluate the appeal and render a decision. Two alternatives then exist. One, to allow the ALJ Decision to become binding without review by the Agency Director. This would allow employees and retirees to appeal the ALJ Decision directly to Superior Court. The second, to allow the director of ADOA to review appeals of decisions made by OAH, and then allow appeals to Superior Court.

- Independent Review Organization- These organizations provide a panel review of appeals. Research is in process to determine the average fees and availability in Arizona. This review would be done without the employee/retiree present, but would be medically based since the panel would be comprised of physicians and medical providers.

Research findings on costs of each option, advantages and disadvantages, and any statutory or rule requirements needed for each option will be reported in the next progress report.

Available FY '04 Options

As a contingency plan, ADOA will be researching all available health and dental options for FY '04. Each option will be analyzed should self-insurance not proceed for advantages/disadvantages and the costs associated with each option. These options include renewal of the current CIGNA contract; self-insuring the PPO plan only; self-insuring the pharmeceutical portion of the program while maintaining a fully insured HMO/POS/PPO plan; any and all options available to the State for FY '04.

CIGNA Renewal Comparison

Research has been done to determine health insurance costs for FY '04 if the current CIGNA contract was renewed another year and for comparison with the costs of self-insurance:

Plan Year					
	2002	Current- 2003		2004	
	Initial Contract Year	Contractual Rate Cap[5]	Negotiated Increase	Contracted Rate Cap[6]	Potential Contracted Increase[7]
HMO					
Maricopa	N/A	15%	15%	30%	15%
Pima	N/A	18%	18%	36%	18%
POS					
Maricopa	N/A	22%	17%	44%	27%
Pima	N/A	25%	17%	48%	31%
PPO	N/A	30%	25.6%[8]	60%	47%

The plan year 2004 contractual rate caps are based on increases over the initial (2002) contract rates. The contract language allows for increases in the 2004 plan year based on the difference between the second year (2003) contracted rate cap and the negotiated increase in 2003. The 2004 contracted rate caps are double the 2003 rate caps. With the current health care market, increasing trends in medical costs, and claims utilization reported for the first quarter of this plan year, an average 24% increase in health insurance premiums can be expected in FY '04 based on the aforementioned contract caps.

Implementing a Self Insurance Program

Even if there was no mandate, self-insurance makes sense- however, it may not be the appropriate time to implement a self-funded program.

ADOA would prefer to have at least 3 more months before the required implementation to ensure it is done thoroughly and efficiently, but can and will complete the task on time. ADOA believes delaying the implementation for 1 year should be considered to ensure the State is fiscally strong enough to handle the financial requirements of self-insurance.

A major concern is whether the necessary reserves will be allowed to build and be retained within the Fund to ensure the solvency of the self-insurance program. ADOA is currently researching available options to preserve the Fund reserve once it is established.

Reserve Build-Up

Reserves will be necessary to guarantee the fiduciary responsibility of meeting claims liability incurred during the plan year, but paid in the following months. As a prudent business decision, reserves will allow ADOA to be fiscally prepared for potential claims fluctuation on an ongoing basis. Actuarially recommended reserves range from 18-26% of incurred claims on an annual basis. The cash flow analysis attached in Appendix A will produce a 19% claims reserve based on incurred claims at the end of FY '04. This claim reserve will not increase after the first year as claim payments level off. Consequently, in future years, it will represent a smaller percentage of incurred claims as future claims costs rise.

[5] Rate caps are on initial contract rates
[6] 2nd year rate cap provided in initial CIGNA proposal, but there is no reference in Best and Final Offer.
[7] Difference between 2004 contractual rate cap and 2003 negotiated increase on total premium.
[8] Rate increase shown is on the current paid amount (90% of total premium net of retrospective payment), comparative increase on total premium was 13%.

> **A reserve build-up can occur within the HITF Fund throughout the plan year due to the offset of program expenses with anticipated premium deposits**. A funded increase of 24% health insurance premiums and 8.5% in dental premiums could result in a $52 million claims reserve at the end of FY'04. This reserve build-up has been outlined in the FY '04 budget proposal; however, continued discussions will be necessary to identify an appropriate figure to meet our fiscal responsibilities. **Appendix C illustrates the cash-flow analysis with the reserve build-up**. This reserve is composed of employee contribution dollars as well as employer dollars collected each pay period.

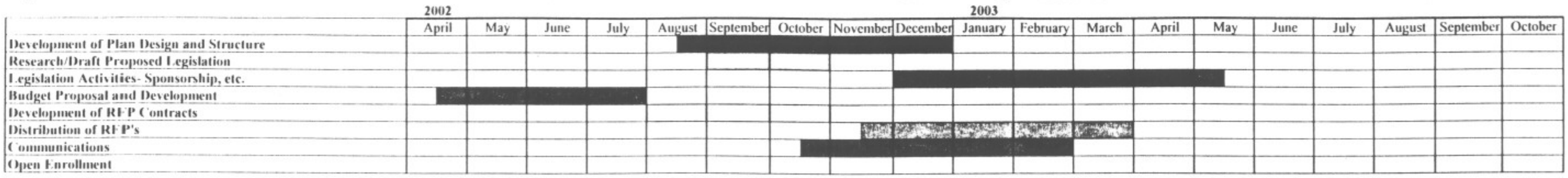
A secondary concern is the expectation that self-funding the State's group health and dental benefits will save money. **ADOA does not believe this transition will reap any significant reduction in health/dental expenditures on behalf of the employees or the State**.

The implementation of self-insurance is consistent with the State's goals in providing quality, cost-effective health care to employees/retirees while maintaining financial efficiency within the program:

- Self-insurance allows large employers to **better control costs** and insulate themselves from drastic fluctuations in the insurance.
- The State can begin to **address employees' concerns** regarding network and physician choice.
- Focusing on employee long-term health will offer the State the opportunity to improve the health of it's workforce, not just meet the immediate health care needs for a specified contract period. **Employees will be able to manage their health, not just their care**.
- Self-insuring is the direction of the health care marketplace. Many employers and states have successfully switched to self-insurance **to gain more control over their health care data** upon which to base quality policy and financial decisions.

Appendix A

Self-Funding Milestones



Development of RFP Contracts*

1-Aug	First Meeting to Brainstorm RFP Language
	*PPO/EPO Medical Network
	*Dental Network
	*Vision Plan
	*Third Party Administration
	*Insurance Coverages
15-Aug	Team Division to Research Providers
15-Sep	First Report to Group on Team Results
15-Oct	First Draft of RFP Language
15-Nov	Census and Data Compiled for RFPs

[redacted]

15-Oct	Agency Liaison Briefings
25-Oct	1st Newsletter to Employees
6-Dec	2nd Newsletter to Employees
28-Feb	3rd Newsletter to Employees

[redacted]

15-Aug	First Draft of Structure and Plan Design
1-Oct	Final Proposed Structure and Plan Design
31-Dec	Policies and Procedures Developed for Implementation

Distribution of RFP's

15-Nov	Distribution of RFP's
1-Dec	Bidders Conference
15-Jan	Review Committees Developed
10-Feb	RFP's Due to SPO
14-Feb	RFP's Sent For Analysis
28-Feb	Best and Final Requested
14-Mar	Best and Final Due
31-Mar	Contracts Awarded

[redacted]

15-Apr	Brainstorming of Budget Needs- HITF
1-May	First Draft of Budget Proposal
31-Jul	Final '04/'05 Budget Proposal to Director

Research/Draft Proposed Legislation

1-Sep	Team Recommendation for Legislation
1-Oct	Rough Draft of Legislation
1-Nov	Submission of Proposed Legislation

[redacted]

1-Dec	Sponsor Identified
15-Dec	Bill(s) Submitted
15-Jan	Session Begins
1-May	Bill Passed

Open Enrollment

15-Mar	Development of Enrollment Booklet
7-Apr	OE Forms and Books Submitted for Final Approval
14-Apr	OE Forms and Books to Print
1-Jun	OE Forms and Books Ready for Distribution
1-Jul	Newsletter
1-Aug	2nd OE Newsletter
18-Aug	Open Enrollment Begins
12-Sep	Open Enrollment Ends

APPENDIX B

	ADOA / STATE	MERCER
Communications	Creation of agency or employee newsletter/payroll stuffer/written materials	Review and feedback on written material
	Development of communication strategy target dates; tactical details	Review, recommendations and feedback on communication strategy and details
	Review and approval of logo and "branding"	Design and development of logo and "branding"
	Instruction on, final review and approval of presentation materials	Design and development of legislation presentations; presentations at request of ADOA
	Creation of statutorily directed legislature/Governor reports "from ADOA"	Review, recommendations and feedback on reports and written material
	Field requests and inquiries from legislature, constituents on project	Supply information, research, data, industry information as requested through requests and inquiries
	SIAC Committee: Define the agenda, facilitate meetings, prepare materials for presentations (this is now being handled jointly)	Review, recommendations and provide feedback on written material. Attend meetings. Prepare materials and present as requested.
Legislature	Development of legislative materials, including proposed budget and bi-monthly reports to JLBC	Review, recommendations and feedback on financial spreadsheets, analysis and written material
	Attendance at all JLBC, Committees, and Task Force meetings as requested by legislature	Attendance at all JLBC, Committees, and Task Force meetings as requested by legislature or ADOA
	Presentation before JLBC, Committees, and Task Force meetings as requested by legislature	Presentation before JLBC, Committee, and Task Force meetings as requested by legislature or ADOA
	Creation and development of proposed legislation	Research and recommendations for possible legislation; review and feedback on language
Analysis	Collection and assistance in accumulation of carrier data	Actuarial analysis of all CIGNA and prior carrier data regarding medical utilization. Analysis of all available dental claims and utilization data.
	Collection and assistance of eligibility/enrollment data	Actuarial and financial analysis of eligibility/enrollment data
	Receipt and review of findings, analysis and recommendations	Report findings and recommendations based on all analysis

Roles and Responsibilities for Self-Insurance

	ADOA / STATE	MERCER
	Initiation and attendance of all carrier meetings to discuss relationship and carrier data	Attendance and participation in all carrier meetings, as requested by ADOA
Program Development	Receipt and review of program recommendations; final decision on plan design, vendors and program operations	Recommend program structure including plan design, vendors and program operations, as developed from data analysis,funding availability and overall strategy and objectives
	Initiation of data requests, development of required data, employee surveys and other internal activities to assist in plan development.	All analysis, data review, development of possible plan options, development of plan recommendations, any and all activities associated w/ plan development as directed by ADOA.
Program Implementation	Jointly draft and develop 6 RFP's, RFP criteria and recruitment of committee members	Jointly draft and develop RFP's, RFP criteria and recruitment of committee members
	Attend RFP review committees; review RFP responses and analysis ; coordinate finalist presentations; Award contracts	Facilitate all RFP review committees; provide analysis of all RFP responses and comparative information; facilitate finalist presentations; make recommendations on final proposals for final award.
	Coordinate all planning meetings and activities associated with successful vendors.	Assist and facilitate meetings and activities associated with successful vendors. Initiate communication and working relationship with successful vendors.
	Develop data reports for tracking: vendor performance, claims utilization, premium payments	Review and analyze reports for recommendations and data maintenance. Provide feedback on appropriate historical and benchmark data to be used for comparative purposes.
	Perform business assessment of Benefits office to analyze processes and organizational structure, and to identify additional roles and responsibilities associated with new program and vendor management	Review and comment on the business assessment regarding activities and structure within the Benefits Office and the impact of self-funding
	Develop and coordinate all system enhancements necessary for data transfer between all vendors, ASRS, payroll, etc.	Assist in the coordination of data transfer with recommendations as necessary. Provide feedback and recommendations on testing to ensure all systems communicate properly.

Roles and Responsibilities for Self-Insurance

	ADOA / STATE	**MERCER**
	Establish appropriate banking and self-billing processes, and other administrative processes as necessary to assure coordination between vendors and State	Assist in establishing appropriate banking and self-billing processes and other administrative processes as necessary to assure coordination between vendors and State
Open Enrollment	Write enrollment booklet and newsletters content; coordinate printing and production	Review content of enrollment booklet and newletters; design enrollment booklet
	Receive and review presentations for delivery	Develop and design PowerPoint presentations for communications and training
Other	Other items not identified above, unless referred to Mercer for assistance	Other items not identified above or items from the ADOA/State column as requested by ADOA staff

APPENDIX C- HITF Revenue and Expenditure Projections
Based on Enrollment as of May 31, 2002

FY 2003 Total Medical and Dental Projections ($'s in thousands)		Mercer Est. Increase	FY 2004 Monthly	FY 2004 Annual
Monthly Emp/Ret Medical Premiums	$8,500.9		$10,541.1	$126,493.7
Monthly State Medical Premiums	$24,390.9		$30,244.8	$362,937.1
Total Medical Premiums	$32,891.9	24.0%	$40,785.9	$489,430.8
Monthly Emp/Ret Dental Premiums	$1,316.4		$1,428.3	$17,140.0
Monthly State Dental Premiums	$1,368.4		$1,484.7	$17,816.7
Total Dental Premiums	$2,684.9	8.5%	$2,913.1	$34,956.8
Total Monthly Receipts	$35,576.7		$43,699.0	
Total Monthly Carrier Premiums	$35,275.9			
			136,101.3	
Monthly revenue	$300.8		359,858.4	
(to cover admin & wellness costs)			495,959.7	

Assumptions:

1) Based on Mercer Expected Cost Scenario. Mercer estimated increase in medical premium of 24% and dental premium of 8.5%. 2) No significant change in enrollment or migration between plans. 3) Mercer formula used to estimate medical claims, dental clai

FY 2004 Total Medical and Dental Projections

	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Totals
Beginning Balance	$ 16,522.6	$ 15,478.4	$ 14,434.3	$ 8,014.8	$ 2,709.6	$ 24,954.2	$ 37,990.1	$ 45,500.7	$ 48,591.0	$ 50,576.4	$ 51,825.0	$ 52,705.3	
Estimated Monthly Receipts	$ 35,576.7	$ 35,576.7	$ 35,576.7	$ 39,637.8	$ 43,699.0	$ 43,699.0	$ 43,699.0	$ 43,699.0	$ 43,699.0	$ 43,699.0	$ 43,699.0	$ 43,699.0	**$ 495,959.7**
General Fund Sweep													
Total Receipts	$ 52,099.3	$ 51,055.1	$ 50,011.0	$ 47,652.6	$ 46,408.6	$ 68,653.2	$ 81,689.1	$ 89,199.7	$ 92,290.0	$ 94,275.4	$ 95,524.0	$ 96,404.3	
Premium Payments	$ 35,275.9	$ 35,275.9	$ 35,275.9	$ 35,275.9									$ 141,103.6
Estimated Paid Claims Medical				$ 2,753.2	$ 13,766.2	$ 22,370.0	$ 27,532.3	$ 31,662.2	$ 32,694.6	$ 33,383.0	$ 33,727.1	$ 34,071.3	$ 231,959.9
Estimated Paid Claims Dental				$ 193.6	$ 967.9	$ 1,572.8	$ 1,935.8	$ 2,226.2	$ 2,298.7	$ 2,347.1	$ 2,371.3	$ 2,395.5	$ 16,308.9
Administrative Fees (TPA)			$ 5,375.3	$ 5,375.3	$ 5,375.3	$ 5,375.3	$ 5,375.3	$ 5,375.3	$ 5,375.3	$ 5,375.3	$ 5,375.3	$ 5,375.3	$ 53,753.0
Self funding Total Costs	$ -	$ -	$ 5,375.3	$ 8,322.1	$ 20,109.4	$ 29,318.1	$ 34,843.4	$ 39,263.7	$ 40,368.6	$ 41,105.4	$ 41,473.7	$ 41,842.1	$ 302,021.8
													$ 443,125.4
Admin & Wellness Appropriated Costs (FY03 $4.9024M+Critical Issue $11.2372M)	$ 1,345.0	$ 1,345.0	$ 1,345.0	$ 1,345.0	$ 1,345.0	$ 1,345.0	$ 1,345.0	$ 1,345.0	$ 1,345.0	$ 1,345.0	$ 1,345.0	$ 1,345.0	$ 16,139.6
Total Expenditures	$ 36,620.9	$ 36,620.9	$ 41,996.2	$ 44,943.0	$ 21,454.4	$ 30,663.1	$ 36,188.4	$ 40,608.7	$ 41,713.6	$ 42,450.4	$ 42,818.7	$ 43,187.1	
Ending Balance (Reserve)	$ 15,478.4	$ 14,434.3	$ 8,014.8	$ 2,709.6	$ 24,954.2	$ 37,990.1	$ 45,500.7	$ 48,591.0	$ 50,576.4	$ 51,825.0	$ 52,705.3	$ 53,217.2	

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

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http://www.azleg.state.az.us/jlbc.htm

DATE: October 17, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director RS

FROM: Paul Shannon, Senior Fiscal Analyst PS

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION/GOVERNMENT INFORMATION TECHNOLOGY AGENCY – REPORT ON HRMS REPLACEMENT PROJECT

Request

As part of the favorable review of the expenditure plan for the Human Resources/Payroll System, formally known as the Human Resources Information Solution (HRIS), the Arizona Department of Administration (ADOA) and the Government Information Technology Agency (GITA) are required to report back quarterly to provide information on the project.

Recommendation

This item is for information only and no Committee action is required. ADOA and GITA have submitted separate reports on the progress of the project. ADOA reports the project is "on time and on budget." GITA concurs with this assessment and will continue to closely monitor the project.

Analysis

The HRIS project is monitored by the project staff and GITA for progress in several different functional areas, which are assigned to the following:

- Project Administration group provides oversight of the implementation of the system and communication with the client agencies within the system. Functionality issues with the Department of Public Safety are reported to have been resolved. Similar issues with the Legislature and its component agencies are being resolved during October. This group is also researching the use of the current payroll and benefits data into the new system.

(Continued)

- The Business Functionality group implements the business process foundation for the operation of the system. This unit is preparing for integration testing and has successfully simulated the hiring and compensation of a hypothetical employee.
- The Technology group provides the technical foundation for the project. This group incorporates the various components of the system into a functional business product. Currently, this group is conducting increasingly comprehensive integration testing as well as preparing technical documentation.
- The Training Management group develops and implements the training curriculum for the project. Every state agency using the system has a designated Agency Training Facilitator (ATF), who will train their agency personnel in the use of the system. The process of training these individuals was begun over the summer. Agencies are monitored for their completion of these tasks and are notified when they are not on schedule.
- The Change Management group investigates and implements the steps necessary to implement changes from the current system into the new system. This group has delivered a document that outlines the prospective organization of payroll and benefits roles, both within ADOA and at the agencies, for review by the project management; this document is further reviewed by payroll and benefits consultants hired by the project. When approved, this document will be used to determine the training needs of the agencies. This group also notes those areas where solutions have not been agreed upon ("gaps"), which are monitored until resolution is achieved. This gap analysis will be further reviewed over the fall, with completion set for this December. A newsletter distributed by this group provides project information to agency personnel and, in a summarized form, to agency heads.

The project received a letter grade from the project contractor (IBM) of "B." The project is not encountering unforeseen problems. ADOA has not changed any of the implementation dates. The first phase of the project, generating paychecks with the new system, is scheduled to "go live" on April 14, 2003. Additional components of the system will be implemented in the first quarter of FY 2004.

GITA provided a separate update on the projects progress that notes the achievements cited by ADOA. GITA also believes that the project is on time and on budget. GITA indicates that the next phase of the project, integration testing, will take the most time and is the most complex series of tasks undertaken by the project to date. These tasks are shorter term in nature, but are more tedious and time sensitive.

According to GITA, the next phase of the project will involve the development of features and functions that are not currently available. To realize the efficiency gains of these new features, the HRIS project will need a marketing/educational plan that informs agencies about the capabilities of the new system.

In summary, GITA states that the project is "getting back on target" and that considerable progress has been made. GITA will continue to closely monitor the progress of the project.

RS:PS:ss

JANE DEE HULL
GOVERNOR

CRAIG STENDER
DIRECTOR

STATE OF ARIZONA
GOVERNMENT INFORMATION TECHNOLOGY AGENCY
100 North 15th Avenue, Suite 440
Phoenix, AZ 85007

OCT 16 2002

To: Senator Ruth Solomon, Arizona Senate
Representative Laura Knaperek, Arizona House of Representatives
Richard Stavneak, Joint Legislative Budget Committee (JLBC)

CC: Elliott Hibbs, Department of Administration
Tim Boncoskey, Arizona Department of Administration

From: Craig Stender, Government Information Technology Agency C.S.

Date: October 15, 2002

Re: **IT Monitoring Quarterly Status Report on DOA HRIS**

This Status Report reflects Government Information Technology's (GITA) September update for the Department of Administration's Human Resource Information System (HRIS) project as requested by the Committee. The Department of Administration will provide their quarterly project update under separate cover.

Based on feedback and informational updates from the HRIS project team, the project appears to be on time and on budget.

Status of major accomplishments to date:

- The most significant deliverable (Approved Development Items) was given to Project Management Office (PMO) for review and approval in mid-September. Meta Group and GITA personnel have assisted the PMO in the review and approval of these items. To date, more than half of the items have been approved and released to the developers.

- IBM's Project Management Review team interviewed contractors, State employees and assistant directors of DOA during their internal review process. The IBM project team received a "B" grade for the HRIS project and specific areas of concern have been addressed.

- On September 30, Integration Testing began to validate the configurations developed as a result of earlier work to describe and test the new work processes. As configurations are proved, they will then be ready for transformation into the Arizona format. Integration Testing is the longest duration and most complex series of tasks undertaken by the project so far.

- The original data cleansing report in August contained over 2,200 errors; today, it has decreased to 900. Normal cleansing error rates for a project of this scale would be 4,000-5,000 according to Meta Group.

- The HRIS team and DPS reached an agreement on DPS not using Lawson's "Time and Attendance" functionality. DPS will continue to use their legacy system until they can adapt their business processes to use Lawson's functionality.

<u>Continue to monitor Phase I issues:</u>

- The need for the development of an Advisory Governance body that would include all major agencies for the purposes of driving the State to full utilization of the system's capabilities still needs to be investigated.

- The majority of activities remaining in Phase I (to be completed by April 2003) will be application coding, unit and system testing, training and communications to the users.

- Some agencies serviced by CAMP are still lagging in their requirements to HRIS but, due to their small numbers, it is not a critical issue at this time.

<u>GITA's opinion on Phase I:</u>

- The design portion of Phase I is complete. HRIS is entering the construction and testing portion of Phase I. The work is well defined, but more tedious. The project team will be working on much shorter term tasks and deliverables that are more time sensitive. The HRIS Management Team is monitoring the project closely and GITA feels that Phase I is in good shape.

<u>Phase II issues to monitor:</u>

- Phase II functionality allows for a great amount of business re-engineering that will move paper-based business processes to "paperless." Phase II will include a pilot test of several agencies that will use the new features and functions (e.g., workflow analysis, data warehouse capabilities, custom and standard report capabilities, etc.) of the system that do not exist in the current environment. This new functionality will need to have a marketing/educational plan in place to ensure full usage. Full usage will allow the State to realize efficiency gains. Our concern is ensuring that the large- and medium-size agencies utilize the tools purchased with HRIS.

Conclusion:

- GITA believe the HRIS project is getting back on target and considerable progress has been made since the last report. GITA will continue to closely monitor the progress of the project.

Should you require additional information and/or clarification, please contact me at 602/364-4770.

CS:mc

JANE DEE HULL
GOVERNOR

J. ELLIOTT HIBBS
DIRECTOR

TIMOTHY BONCOSKEY
PROJECT DIRECTOR

Arizona Department of Administration

Human Resources Information Solution

3443 North Central Avenue, 17th Floor, Phoenix, Arizona 85012 • (602) 274-8583 • FAX: (602) 274-8629

October 11, 2002

The Honorable Ruth Soloman, Chairman
Members, Joint Legislative Budget Committee
Arizona State Legislature
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Solomon and Members of the Committee:

This letter and the attached September monthly report reflect the status of the HRIS project. This Quarterly update was request by the Committee as part of the favorable review of the HRIS expenditure plan last January. The Government Information Technology Agency (GITA) will provide their quarterly report on the project under separate cover.

The development efforts of the project continue to be "On-time and On-budget". The operational plan for HRIS (the FY 2004 budget) has been prepared and shared with your staff. Since the last report the following events have occurred and contract deliverables received:

Significant July Achievements

- Revised Fit Gap Analysis completed and delivered.
- CRP 2 Documentation delivered.
- Baseline Configuration 90% complete.
- ATF Training Workbooks and Navigational Tutorial completed and distributed.
- HRMS Data Cleansing team data identification report programming complete.
- Launched bi-weekly email to Agency Heads from HRIS Chair Bill Bell.
- Began weekly "critical path" report on project status.

Significant August Achievements

- *Baseline Configuration* milestone completed and approved.
- HRMS Data Cleansing kicked off with Agencies.
- Agency Interface workshops scheduled and conducted.

Significant September Achievements

- The TEST1 product line (Final Test Configuration) was created and Integration Test kicked off.
- The functional team demonstrated the hiring of an applicant, tax and benefits entry, time entry, overtime calculation, gross-to-net payroll calculation, time accrual update, payment processing, payroll close, time accrual processing, and online viewing of payroll information via the Employee Self Service portal.
- The HRIS team and DPS reached a mutually beneficial resolution of issues relating to DPS' participation.
- Prepared for and participated at the Inter-Agency Cabinet meeting of 9/18.
- Prepared and participated in IBM Project Management Review which was conducted September 16-18. The Project received the coveted and planned for "B" rating from the review team.

The following **Contract Deliverables** were accepted and approved by the State:

- Harmonization Assessment Document (D.8)
- Change Readiness Assessment Report (D.9)
- Updated High Level Implementation Strategy (D.10)
- Transition Management Strategy (D.11)
- Package Integration Standards and Procedures Document (D.13)
- Development Standards and Procedures Document (D. 14)
- Future Process/Function Attributes Document (D.17)
- Future Process Definition Document (D.18)
- Detailed Fit Gap Analysis Document (D.19)
- Future Organization Design Document (D. 22), added (D.22B)
- Approved Development Items List (D.23), interfaces and reports pending
- Configuration Parameters Document (D.24), edits pending
- Deployment Education and Training Plan (Section 7, D25 and D29)
- Change Leadership Plan (D.26)
- Communications Plan (D.27)

If you need any further information or have additional questions, please contact me at 542-1500, or Tim Boncoskey, HRIS Project Director, at 274-8571.

Sincerely,

William Bell
Deputy Director

Cc: J. Elliott Hibbs, ADOA Director
Kris Ward, OSPB Director
Richard Stavneak, JLBC Staff Director
Craig Stender, GITA Director
Tim Boncoskey, HRIS Project Director

HRIS Project Monthly Status Report

September 2002: Yellow

Project Administration

The Project Management Office team focused on the following key activities:

- Updated master project plan.
- Prepared weekly status reports.
- Managed and reviewed project deliverables.
- Prepared for and participated in Board of Directors meeting of 9/12.
- Prepared for and participated in AIC meeting of 9/11.
- Prepared for and participated in ATF meeting of 9/24.
- Prepared for and participated at the Inter-Agency Cabinet meeting of 9/18.
- Prepared and submitted PCR (Project Change Requests) for extending resources to support advanced functionality strategies.
- Prepared and participated in IBM Project Management Review which was conducted September 16-18.
- Reached a mutually beneficial resolution of issues with DPS related to their participation in HRIS functionality.

Business Functionality

The Functional Staff continued to work on configuration and updating the PRISTINE product line. Included in the work during September was: e-Recruit, Data Item Attributes, SEA (Employee/Manager Self-Service) Tasks, Worker's Compensation and DPS data requirements. The SEA tasks that will be deployed at Go-Live have been defined. Work continued on conversion activities. Including: development of crosswalks and definition of position derivation. The staff began researching how to convert various data fields, such as Special Pay Adjustments (SPAs) and Expected End Date of leave status.

Preparation for the Integration Test began. The Integration Test Plan Document (D.33) was created in draft form. The detailed schedule and the validation scripts for Test 1 were completed. Assignments were given to the team with a complete definition of their respective roles. Functional staff continued to work with the training staff to finalize the To Be Documentation. This will ensure that the training staff is working from a correct version during the design of the training scripts.

Staff also worked on an inventory of current SOA forms. This will prepare us for the changes that will be necessary for the various paper forms used by SOA. There has been a slow response by the agencies to a request sent out by Linda Allen for this information.

There has been substantial updating on Functional Design Documents (FDDs). The Technical staff has been working with the Functional staff to ensure that the FDD is written correctly so that all documentation is in order.

A demo was created for the SOA Management to present the functionality of Lawson. They began with an actual employee in HRMS, hired that employee and paid that employee based on true data from HRMS. The net pay for the payment calculation was different by 2 cents from Lawson to HRMS. The difference was due to rounding differences in the calculation of withholding for federal tax.

Technology

The *Approved Development Items* (D.23) document is under management review. A number of items have already been approved and coding has begun. The remaining items will be approved (or rejected) during the next reporting period. This document will remain a living document; items will move into or out of the document based on the governance procedures established in the final section.

The Integration Test schedule has been determined and the Tech team is working hard to finish the conversion programs required for Test 1 (9/30). Test 2 starts 10/21 and includes more conversion programs and some adaptations and interfaces as well. Test 3 begins 11/18 and will include all custom developed programs. The infrastructure team has built a new product line (TEST1) in support of the first integration test.

The IT Operational Model document is underway and will be delivered in October. The Data Migration maps are complete for the Data Migration document deliverable. The list of data cleansing criteria is being compiled to complete this deliverable.

Training Management

The training team worked closely with the ATFs to redefine key terms and enhance the Navigational Tutorial based on their suggestions. The Web Learning Center was restructured into two separate (but integrated) web sites for easier end-user access to reference material and help support.

We began developing the ATF training schedule for January and February. This schedule was distributed at the ATF meeting on 9/24. Development work continued on training materials for Payroll, Benefits, and Human Resources as well as the Web Learning Center Pilot to be offered beginning December 2. The team created SimPro demonstrations on Drill Around and Address Change using an HRIS scenario for Change Management to take on the road.

We continue to revise the HRIS Training Project Plan. The plan was updated and then submitted to PMO for update to Master Project Plan. Discussion with the PMO relative to resource allocation necessary to complete training deliverables is ongoing.

Change Management

The Change Management team prepared for and conducted AIC meetings on 9/11. The training team demonstrated the Web Learning Center in both sessions.

Delivered D.22, Future Organization Design for review. It was reviewed by PMO and Meta Group. Gap analyses need to be conducted at each agency for approval, which will be delivered in an appendix document (D.22B).

Analysis of job roles that were developed by the functional team was initiated. Some updating of roles and descriptions prior to rollout is underway. After job role definition, we will meet with each agency to determine gaps. It is estimated that this will be completed in December.

The team continues to meet with agencies to discuss impacts and answer questions. We also continue to send out requests for information from the technical and functional teams to the agencies and track responses.

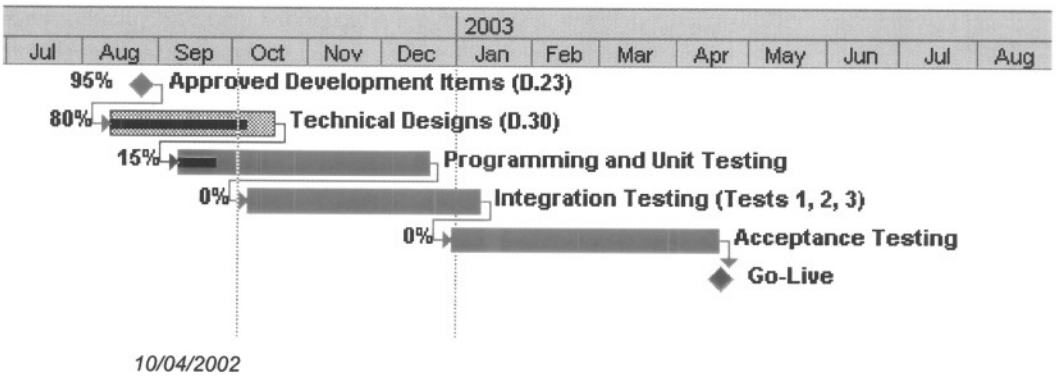
Newsletter number four was completed for distribution. The website has been updated and the new version is nearly ready for publication. The third edition of the bi-weekly communication from Bill Bell was distributed to agency heads on 9/13. The Change Management team attended both ATF meetings on September 24 to answer questions.

Significant September Achievements

- The TEST1 product line (Final Test Configuration) was created and Integration Testing kicked off.
- The functional team demonstrated the hiring of an applicant, tax and benefits entry, time entry, overtime calculation, gross-to-net payroll calculation, time accrual update, payment processing, payroll close, time accrual processing, and online viewing of payroll information via the Employee Self Service portal.
- Project Change Requests (PCR) 12-15 were submitted to and approved by the state.
- The HRIS team and DPS reached a mutually beneficial resolution of issues relating to DPS' participation.

HRIS Project Critical Path

- **Approved Development Items** (D.23): the list is developed based on the *Detailed Fit Gap Analysis* (D.19) report and State of Arizona requirements. This document contains a list of all programming (adaptations, interfaces, conversions, and custom reports) that will be performed by the technical team. While specific items within the document have been accepted and placed under change control, the final version must be completed next month in order to confirm scope.
- **Develop Custom Programs > Integration Testing > Acceptance Testing:** through go-live, the HRIS team will be focused on the programming of approved conversions, adaptations, interfaces, and custom reports, performing integration testing and acceptance testing to validate the integrated configuration. Due to the fact that these activities are concurrent and form the longest duration and most complex series of tasks in the project to date, they must be closely monitored for any slippage.



- **Non-System A agencies:** the HRIS team met with DPS on 9/25 to clarify and resolve open issues. While most concerns were addressed, some issues related to Leave Accrual and Batch Time & Attendance processing still require further analysis and discussion. These will be addressed in meetings that have been scheduled for the week of 10/7.

Section 7 – Project Deliverables

The following were completed and submitted to the State:

- *Configuration Parameters Document* (D.24), edits pending
- *Integration Test Plan* (D.33)

The following were accepted and approved by the State:

- *Approved Development Items List* (D.23); many adaptations and conversions approved, interfaces and reports pending
- *Future Organization Design Document* (D.22); agency gap analysis pending (D.22B)
- *Harmonization Assessment Document* (D.8)
- Updated *High Level Implementation Strategy* (D.10)
- *Change Leadership Plan* (D.26)

Detailed Deliverables Status:

	Deliverable Description	Status	Comments
D.1	Initial Project Plan and Updated Project Plan	Complete	Approved
D.2	Status Report	Complete	Approved
D.3	Current Organization Structure Document	Complete	Approved
D.4	Current IT Environment Document	Complete	Approved
D.5	Strategic Direction Document	Complete	Approved
D.6	Strategic Fit Assessment Report	Complete	Approved
D.7	Current State Process Models	Complete	Approved
D.8	Harmonization Assessment Document	Complete	Approved
D.9	Change Readiness Assessment Report	Complete	Approved
D.10	High Level Implementation Strategy	Complete	Approved
D.11	Transition Management Strategy Document	Complete	Approved
D.12	Education and Training Strategy Document	Complete	Approved
D.13	Package Integration Standards and Procedures Document	Complete	Approved
D.14	Development Standards and Procedures Document	Complete	Approved
D.15	Testing Strategy Document	Complete	Approved
D.16	Scope and Approach Document	Complete	Approved
D.17	Future Process/Function Attributes Document	Complete	Approved
D.18	Future Process Definition Document	Complete	Approved
D.19	Detailed Gap Analysis Document	Complete	Approved
D.20	IT Operational Model Document	**Yellow**	In Process
D.21	IT Organization Transition Plan	**Yellow**	In Process
D.22	Future Organization Design Document	Complete	Approved
D.22B	Future Organization Design Document – Agency Gap Analyses	Green	In Process
D.23	Approved Development Items List for Project	Green	In Process
D.24	Configuration Parameters Document	Green	Delivered
D.25	Deployment Education and Training Plan	Complete	Approved

D.26	Change Leadership Plan	Complete	Approved
D.27	Communications Plan	Complete	Approved
D.28	Data Migration Maps	Green	In Process
D.29	User Support Materials Plan	Complete	Approved
D.30	Custom Development Specification Document	**Yellow**	In Process
D.31	Data Migration Plan	Green	In Process
D.32	Comprehensive Test Strategy	Green	In Process
D.33	Integration Test Plan	Green	Delivered
D.34	User Acceptance Test Plan	Green	In Process
D.35	End User Deployment Training Material	Green	In Process
D.36	Deployment Plan	N/A	Not Started
D.37	Customer Acceptance Document for Operational System	N/A	Not Started
D.38	Project Office Software and Training Materials	Complete	Approved

Critical Project Milestone Status:

Milestone Description	Due Date	Status	Comment
Project Office Installation and Training Complete	02/07/02	Green	Approved
Project Team Training Classes Complete	03/07/02	Green	Approved
Gap Analysis Document Delivered	06/24/02	Green	Approved
Baseline Configuration established	08/12/02	Green	Approved
Final Configuration established	10/14/02	Green	In Process
Comprehensive Test Strategy Document Delivered	10/14/02	Green	In Process
End User Development Training Materials Delivered	12/11/02	Green	In Process
Customer Acceptance of Operational System	07/14/03	Green	Not Started

Project Change Control Summary:

PCR#	Description
PCR-001 (Approved)	Squire Sanders title transfer (COP Funding)
PCR-002 (Approved)	Change in Lawson agreement for Web-Based Training Licensing
PCR-003 (Approved)	Payment for Lawson Insight software to be made directly to Lawson corporation
PCR-004 (Approved)	This Change Authorization (CA) #001 for services on the State of Arizona Human Resources Information System Project provides authorization for elimination/consolidation of five deliverables (D5, D6, D13, D33, and D34) from the IBM Statement of Work. Also included is the removal of training for 2 Project Office administrators, scope of the change readiness survey, and clarification to the Project start date. Please refer to PCR-001 for detailed information.
PCR-005 (Approved)	Add Lawson Strategic ledger and Microsoft add-ins
PCR-006 (Approved)	Change in management team
PCR-007 (Approved)	Add “Simulation Producer” from IBM Learning Services to contract
PCR-008 (Approved)	Add nine (9) copies of Micro Focus COBOL compiler
PCR-009 (Approved)	Conversion of fixed cost training to hourly services.
PCR-0010 (Approved)	Add Esther Parker as Project Executive to substitute for Joe Hoover
PCR-0011 (Approved)	Combine the deliverables "Develop Deployment Education and Training Plan - 7.2,13, D25" and "Plan End-User Training Materials Development -7.2,13, D29".
PCR-0012 (Approved)	Adjust Milestone due dates to coincide with Project Plan and schedule.
PCR-0013 (Approved)	Release 50% of project-to-date retainage
PCR-0014 (Approved)	Replace Austin Haynes software with in-house Lawson development
PCR-0015 (Approved)	Add 1700 hours for additional staff for adaptations, interfaces, and Reporting

IBM Activity Status

WBS Number	Task Name	% Complete	Original Estimate	Hours To Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
7.2.5.1.1	Executive Management		0	680	148	120	184	62	126	40			
7.2.5.1.3	Project Management		0	3,245	152	144	124	116	309	498	526	727	649
			0	3,925	300	264	308	178	435	538	526	727	649
7.2.5.2.1	Initiate Prepare Phase	100%	240	516	350	126	40						
7.2.5.2.2	Project Office Installation and Training	100%	120	263	191	72							
7.2.5.2.3	Review ADOA Business Environment	100%	180	265	147	14	104						
7.2.5.2.4	Identify Current IT Environment	100%	140	150	42	71	37						
7.2.5.2.5	Identify Future Business Strategy	100%	160	219	128	91							
7.2.5.2.6	Identify and Assess Current State	100%	400	1,533	778	692	64						
7.2.5.2.7	Harmonization Assessment	100%	140	118	52	52	2					10	2
7.2.5.2.8	Assess Readiness for Change	100%	380	418	113	200	105						
7.2.5.2.9	Develop High Level Implementation Strategy	100%	360	58	28	30							
7.2.5.2.10	Develop Organizational Change Management Strategy	100%	780	228	48	60	120						
7.2.5.2.11	Develop Deployment and Core Team Training Strategy	100%	320	54	26	16	8	4					
7.2.5.2.12	Define Package Integration Standards and Procedures	100%	320	281	64	216		1					
7.2.5.2.13	Develop Testing Strategy	100%	320	75		75							
7.2.5.2.14	Prepare Implementation Scope and Approach Document	100%	400	62	29	33							
7.2.5.2.15	Confirm Prepare Phase	100%	80	79		29	50						
	Phase Totals		4,340	4,317	1,995	1,776	530	5	0	0	0	10	2
7.2.5.3.1	Initiate Redesign/Design Phase	100%	570	424	13	89	292	29		1			
7.2.5.3.2	Prepare ADOA Team (core team training)	100%	1,000	937	16	427	483	5	6				
7.2.5.3.3	Define Future Package and Business Processes	100%	1,920	2,761		23	1,831		157	322	339	64	26
7.2.5.3.4	Develop Business Scenarios and Scripts	100%	2,640	3,007		238	298	1,384	858	219		10	
7.2.5.3.5	Determine Package Detail Fit and Gap	100%	2,220	2,261			25	152	1,708	377			
7.2.5.3.6	Define/Plan IT Architecture	100%	160	753		20	258	348	108			19	
7.2.5.3.7	Design IT Organization and Processes	95%	200	292					76	88	53	76	
7.2.5.3.8	Design Future Organization and Job Roles	80%	680	149					18	40	89	2	
7.2.5.3.9	Prepare Initial System Environments	100%	200	185			90	85		10			
7.2.5.3.10	Prepare and Prioritize Development Requirements	95%	280	397	24	16	26	10	282	15	24		
7.2.5.3.11	Design/Confirm Package Configuration Standards	100%	240	548	16	16	132	253	19		5	67	40
7.2.5.3.12	Develop Deployment Education and Training Plan	100%	320	199			32	76	61	30			
7.2.5.3.13	Identify Organizational Change Management Procedures	100%	1,570	1,333			157	844	292	40			
7.2.5.3.14	Design Data Mapping	98%	520	772	28	105	120		16	193	182	95	33
7.2.5.3.15	Plan End User Training Materials Development	100%	200	323				32	38	72	13	90	79
7.2.5.3.16	Develop Functional and Technical Specifications	**90%	1,220	1,703						157	515	684	347
7.2.5.3.17	Confirm Redesign/Design Phase	**90%	120	6							6		

	Phase Totals		14,060	16,045	97	934	3,743	3,218	3,638	1,563	1,224	1,107	524
7.2.5.4.1	Initiate Configure Phase	80%	120	35						1	34		
7.2.5.4.2	Develop Baseline Configuration	100%	1,200	2,066				53		451	893	629	40
7.2.5.4.3	Develop Final Configuration and Test Scenarios	98%	2,790	2,893						883	273	823	915
7.2.5.4.4	Prepare Data Migration Plan	90%	360	206						31		30	145
7.2.5.4.5	Develop Custom Programs	15%	7,810	1,369				14				422	933
7.2.5.4.6	Prepare Extracted Legacy Data	50%	1,000	273							13	40	220
7.2.5.4.7	Plan and Conduct Organization Transition Program	30%	1,360	390				18	74			20	278
7.2.5.4.8	Manage IT Development/Testing/Training Environments	50%	5,110	2,391		251	193	94	334	390	333	424	374
7.2.5.4.9	Design and Implement Organizational Change Management	65%	1,700	1,475		5	40	163	258	377	223	266	144
7.2.5.4.10	Develop Comprehensive Test Plans	65%	520	214						2			212
7.2.5.4.11	Perform Integration Tests	5%	10,150	224						1			223
7.2.5.4.12	Perform User Acceptance Tests	0%	3,340	1						1			
7.2.5.4.13	Develop Deployment Training and Materials	20%	2,800	822				26	82	79	158	267	210
7.2.5.4.14	Develop Deployment and Cut-Over Plan	0%	450	1							1		
7.2.5.4.15	Conduct "Train the Trainers" Training	32%	2,105	1,043					156	319	178	218	172
7.2.5.4.16	Conduct End-User Training	0%	4,710	2								2	
7.2.5.4.17	Prepare Post Go Live Support Strategy	0%	360	1								1	
7.2.5.4.18	Confirm Configure Phase	0%	200	1								1	
	Phase Totals		46,085	13,406	0	256	233	368	904	2,534	2,106	3,143	3,864
7.2.5.5.1	Initiate Deploy Phase	0%	100	0									
7.2.5.5.2	Prepare for Production	0%	1,070	0									
7.2.5.5.3	Cut-Over to Production	0%	200	0									
7.2.5.5.4	Post Production Implementation & Organization Support	0%	4,640	0									
7.2.5.5.5	Confirm Deploy Phase	0%	200	0									
	Phase Totals		6,210	0	0	0	0	0	0	0	0	0	0
	Project Grand Total Hours		**70,695**	**37,692**	**2,391**	**3,230**	**4,813**	**3,768**	**4,976**	**4,635**	**3,855**	**4,986**	**5,039**
	Forecasted hours				3,450	3,580	3,920	4,920	4,920	4,940	4,940	4,940	4,940
	Variance				(1,059)	(350)	893	(1,152)	56	(306)	(1,085)	46	99

**Notes on variance of previous month percent complete:

7.2.5.3.16 Additional gaps were identified which increased effort in FDD and TDD development.

7.2.5.3.17 Reported in error, confirmation of the phase will not happen until all activities are complete

State of Arizona Activity Status

WBS Number	Task Name	% Complete	Original Estimate	Hours To Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
7.2.5.2.1	Initiate Prepare Phase	100%	200	281	200	60	21						
7.2.5.2.2	Project Office Installation and Training	100%	200	85	2	78.5	4						
7.2.5.2.3	Review ADOA Business Environment	100%	80	138		101	36.5						
7.2.5.2.4	Identify Current IT Environment	100%	80	54	1	22	7.5	1.5	22				
7.2.5.2.5	Identify Future Business Strategy	100%	100	355	8	146	111.5	53				36	
7.2.5.2.6	Identify and Assess Current State	100%	280	1,498	598.5	348	186	91	240	13.5	2	19	
7.2.5.2.7	Harmonization Assessment	100%	100	11		0.5						10	
7.2.5.2.8	Assess Readiness for Change	100%	360	436	54.5	47	268	66.5					
7.2.5.2.9	Develop High Level Implementation Strategy	100%	345	70		31	13.5	16				9	
7.2.5.2.10	Develop Organizational Change Management Strategy	100%	220	233		15.5	173	44					
7.2.5.2.11	Develop Deployment and Core Team Training Strategy	100%	160	72	36			36					
7.2.5.2.12	Define Package Integration Standards and Procedures	100%	80	28		1	3.5	1.5				21.5	
7.2.5.2.13	Develop Testing Strategy	100%	80	19		6.5	4	3.5				2	3
7.2.5.2.14	Prepare Implementation Scope and Approach Document	100%	125	28		22	6						
7.2.5.2.15	Confirm Prepare Phase	100%	10	47			37.5	9					
	Phase Totals		2,420	3,351	900	879	872	322	262	14	2	98	3
7.2.5.3.1	Initiate Redesign/Design Phase	100%	45	113		53	50	10					
7.2.5.3.2	Prepare ADOA Team (core team training)	100%	1280	4,491		2089	1910	459.5	21	12			
7.2.5.3.3	Define Future Package and Business Processes	100%	2355	3,855	4.5	33	1307	1749	312	185.5	96.5	129	39
7.2.5.3.4	Develop Business Scenarios and Scripts	100%	2100	1,315				2	1265	34.5	13		
7.2.5.3.5	Determine Package Detail Fit and Gap	100%	2410	4,324				159	1312	1904	626.5	276	46.5
7.2.5.3.6	Define/Plan IT Architecture	100%	200	64				2	4	22	16		20
7.2.5.3.7	Design IT Organization and Processes	95%	180	280		0.5			11.5	41.5	78.5	108	40
7.2.5.3.8	Design Future Organization and Job Roles	80%	1320	671			73	72.5	26	167	99	120	113
7.2.5.3.9	Prepare Initial System Environments	100%	120	1			0.5						
7.2.5.3.10	Prepare and Prioritize Development Requirements	95%	220	15				1	11	1	2		
7.2.5.3.11	Design/Confirm Package Configuration Standards	100%	120	206				18	74		38	35	40.5
7.2.5.3.12	Develop Deployment Education and Training Plan	100%	220	977	6		249	276.5	229	208.5	5.5	1	1.5
7.2.5.3.13	Identify Organizational Change Management Procedures	100%	2460	1,244	16		87.5	361	370	229	103	29.5	47.5
7.2.5.3.14	Design Data Mapping	98%	340	3,748		23	124	368.5	591.5	824.5	851.5	672	293
7.2.5.3.15	Plan End User Training Materials Development	100%	200	541				2	112	35	147.5	223	21
7.2.5.3.16	Develop Functional and Technical Specifications	****90%**	605	1,915						15	354	901.5	644.5
7.2.5.3.17	Confirm Redesign/Design Phase	****90%**	85	96					4	31	10	12	38.5
	Phase Totals		14,260	23,852	27	2,199	3,800	3,481	4,343	3,710	2,441	2,507	1,345
7.2.5.4.1	Initiate Configure Phase	80%	50	6					2.5	3			
7.2.5.4.2	Develop Baseline Configuration	100%	1100	859				1.5	14		299	500	44.5
7.2.5.4.3	Develop Final Configuration and Test Scenarios	98%	3740	2,007			0.5					611.5	1395
7.2.5.4.4	Prepare Data Migration Plan	90%	240	10					4		2	4	
7.2.5.4.5	Develop Custom Programs	15%	700	635					21.5	26.5	81	162.5	343.5
7.2.5.4.6	Prepare Extracted Legacy Data	50%	2000	54					21	6	12	11	3.5

7.2.5.4.7	Plan and Conduct Organization Transition Program	30%	3700	339					40	84	43	111	61
7.2.5.4.8	Manage IT Development/Testing/Training Environments	50%	2000	301							31	170	99.5
7.2.5.4.9	Design and Implement Organizational Change Management	65%	8410	1,955				20	306	226	359	563	481
7.2.5.4.10	Develop Comprehensive Test Plans	65%	180	156						28	17.5	36.5	73.5
7.2.5.4.11	Perform Integration Tests	5%	5550	11				0.5					10
7.2.5.4.12	Perform User Acceptance Tests	0%	1700	378						45.5	105	114	113
7.2.5.4.13	Develop Deployment Training and Materials	20%	2250	1,457				57.5	80	111	250	423	535
7.2.5.4.14	Develop Deployment and Cut-Over Plan	0%	200	1			0.5						
7.2.5.4.15	Conduct "Train the Trainers" Training	32%	6010	1						0.5			
7.2.5.4.16	Conduct End-User Training	0%	180	18							6	12	
7.2.5.4.17	Prepare Post Go Live Support Strategy	0%	100	9				0.5					8
7.2.5.4.18	Confirm Configure Phase	0%	200	1								1	
	Phase Totals		38,310	8,193	0	0	1	80	489	531	1,206	2,720	3,168
7.2.5.5.1	Initiate Deploy Phase	0%	80	0									
7.2.5.5.2	Prepare for Production	0%	1000	0									
7.2.5.5.3	Cut-Over to Production	0%	230	0									
7.2.5.5.4	Post Production Implementation & Organization Support	0%	9440	0									
7.2.5.5.5	Confirm Deploy Phase	0%	80	0									
	Phase Totals		10,830	0	0	0	0	0	0	0	0	0	0
	Project Grand Total Hours		**65,820**	**35,396**	**927**	**3,078**	**4,673**	**3,883**	**5,094**	**4,254**	**3,649**	**5,324**	**4,516**
	Forecasted hours				2,550	2,550	4,250	4,250	4,250	4,250	4,250	4,250	4,250
	Variance				(1,624)	528	423	(367)	844	4	(602)	1,074	266

**Notes on variance of previous month percent complete:

7.2.5.3.16	Additional gaps were identified which increased effort in FDD and TDD development.
7.2.5.3.17	Reported in error, confirmation of the phase will not happen until all activities are complete

Financial Status
Project to Date
Invoices

Invoice Number	Description	Total Due	Retainage	Invoice Amount	Date Delivered	Date Paid	Amount Paid
12K5565	Services	$118,136.00	$17,720.40	$100,415.60	31-Jan-02	18-Mar-02	$100,415.60
135456	Hardware	$1,602,475.49	$0.00	$1,602,475.49	31-Jan-02	18-Mar-02	$1,602,475.49
112537	Hardware	$32,161.00	$0.00	$32,161.00	31-Jan-02	18-Mar-02	$32,161.00
12K556A	Services Adj.	($2,127.00)	$0.00	($2,127.00)	6-Apr-02	29-Apr-02	($2,127.00)
229019A	Expenses	$16,886.85	$0.00	$16,886.85	6-Apr-02	29-Apr-02	$16,886.85
22514A	Project Office	$40,000.00	$6,000.00	$34,000.00	6-Apr-02	29-Apr-02	$34,000.00
2290195	Services	$528,455.00	$79,268.25	$449,186.75	6-Apr-02	29-Apr-02	$449,186.75
3286177	Services	$969,533.60	$145,430.04	$824,103.56	6-Apr-02	29-Apr-02	$824,103.56
153538	Software	$935.07	$0.00	$935.07	17-May-02	28-May-02	$935.07
153541	Software	$935.07	$0.00	$935.07	17-May-02	28-May-02	$935.07
42J688A	Expenses	$31,177.63	$0.00	$31,177.63	17-May-02	28-May-02	$31,177.63
42J6886	Services	$720,384.00	$108,057.60	$612,326.40	17-May-02	28-May-02	$612,326.40
42J6887	Services	$16,000.00	$0.00	$16,000.00	3-Jun-02	21-Jun-02	$16,000.00
90634626	Software	$379,520.12	$0.00	$379,520.12	14-Jun-02	21-Jun-02	$377,004.16
90631148	Software	$118.91	$0.00	$118.91	14-Jun-02	21-Jun-02	$0.00
5290232	Services	$898,792.00	$134,818.80	$763,973.20	14-Jun-02	21-Jun-02	$763,973.20
529023A	Expenses	$61,820.09	$0.00	$61,820.09	14-Jun-02	21-Jun-02	$61,820.09
6254201	Software	$28,106.00	$0.00	$28,106.00	2-Jul-02	12-Aug-02	$28,106.00
6289177	Services	$829,575.50	$124,436.33	$705,139.17	2-Jul-02	18-Jul-02	$705,139.17
628717A	Expenses	$57,060.75	$0.00	$57,060.75	2-Jul-02	18-Jul-02	$57,060.75
72J6469	Services	$867,333.00	$130,099.95	$737,233.05	16-Aug-02	22-Aug-02	$737,233.05
72J646A	Expenses	$227,288.50	$0.00	$227,288.50	16-Aug-02	29-Aug-02	$227,288.50
8278524	Services	$758,078.00	$113,711.70	$644,366.30	29-Aug-02	12-Sep-02	$644,366.30
8278526	Expenses	$72,627.57	$0.00	$72,627.57	29-Aug-02	12-Sep-02	$72,657.57
9278524	Retainage		($372,915.68)	$372,915.68	4-Sep-02	24-Sep-02	$372,915.68

Total Amount Due	$8,255,273.15
Retainage Outstanding	$486,627.39
Invoice Amount	$7,768,645.76
Amount Paid	$7,766,040.89
Retainage Paid	$372,915.68
Current Amount Due	$375,520.55
Total Outstanding	$489,232.26

List of outstanding Issue Items:

Prev Open	New	Closed	**Net**
189	6	213	18

* For more detail please refer to Project Office

List of outstanding Action Items:

Prev Open	New	Closed	**Net**
98	17	121	-6

* For more detail please refer to Project Office

Risks and associated mitigation strategies:

Prev Open	New	Closed	**Net**
16	0	0	16

* For more detail please refer to Project Office

All risks are currently at a watch level only.

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: October 16, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jennifer Vermeer, Assistant Director

SUBJECT: AHCCCS - REPORT ON COST SHARING MEASURES

Request

Pursuant to a footnote in the General Appropriation Act, AHCCCS has submitted a report on cost sharing measures that could be added to the AHCCCS program.

Recommendation

This item is for information only and no Committee action is required. AHCCCS estimates a total maximum state savings of $14 million to $17.3 million if all of the cost sharing strategies are implemented. Federal approval of waivers is required in several instances, however, so any savings would not likely be realized until FY 2004.

While no Committee action is required, AHCCCS is requesting guidance on how to proceed with the cost sharing measures.

Analysis

A footnote in the General Appropriation Act requires AHCCCS to report by October 1, 2002 on savings that could be achieved if applications fees and other cost sharing measures were implemented. The report shall detail the saving associated with each option by program and any administrative costs associated with each option. AHCCCS's report includes increasing the amounts and types of copayments, implementing monthly premiums, and enrollment fees.

AHCCCS notes several important caveats on implementing any of the cost sharing arrangements.

- Federal Medicaid law and regulations limit the types of cost sharing options that can be implemented, the populations that can be charged, and the amounts that can be charged.

- Any revenue collected must be shared with the federal government at the Federal Matching Assistance Percentage (FMAP).
- Waivers are required to implement some of the cost sharing strategies discussed in the report. AHCCCS reports that waiver approval through the federal Centers for Medicare and Medicaid Services (CMS) would likely take 4-6 months. As a result, they project it may take until October 1, 2003 to implement these strategies.
- Under AHCCCS's current structure, any revenues collected through these strategies are retained by the providers. These payments are then deducted from the amount they receive in reimbursement or capitation rates. As a result, increasing cost sharing would not directly benefit the state. The savings would come through future decreases to capitation rates due to the increased revenue at the providers.
- Therefore, in order to generate immediate savings to the state, the capitation rates would need to be decreased prospectively. Otherwise, any savings would not be generated until some point in the future.

The following table summarizes the revenue estimates and important caveats for each of the cost sharing options.

Cost Sharing Arrangement	Maximum Potential Revenue	Comments
Copayments	$7 - $10.3 million (State Share)	• Federal law requires copays on the traditional Medicaid population to be nominal and must be waived if the enrollee cannot pay. • AHCCCS currently requires copays on some services. The experience in AZ and other states is a collection rate of 2%. • Copays cannot be imposed on certain services. • There is more flexibility for expansion populations (such as Proposition 204). • Federal law limits the amount that can be charged for copays. • A waiver would be required to deny services if copays are not paid. To date, CMS has not approved this type of waiver. (See page 4 of the report for detail on each proposed copay).
Monthly Premiums	$3.9 million (State Share)	*AHCCCS:* • No premium can be charged on traditional Medicaid populations. • Monthly premiums are currently charged in the KidsCare program and are allowed for adults in the KidsCare program (also known as HIFA parents) up to certain limits. • There is some flexibility to charge premiums on expansion populations (see page 5 of the report for more detail).
	$1.8 million (State Share)	*DD-ALTCS:* • Parental income is not counted toward eligibility in the Developmentally Disabled Long-Term Care program. Monthly premiums could be charged to this population. • A waiver is required (see page 7 of the report for more detail).
Enrollment Fees	$1.3 million (State Share)	• An enrollment fee would be charged to applicants when they are initially enrolled in the program. • The fee can apply to the Proposition 204 and KidsCare programs (children and adults). • This could result in people not applying when they are healthy and only enrolling when they become sick. This could have unknown consequences for providers and the AHCCCS program. (see page 7 of the report for more detail)
Total Collections	$14 – 17.3 million (State Share)	(See page 8 of the report for more detail)

RS/JV:lm

AHCCCS

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

Committed to excellence in health care

Jane Dee Hull
Governor

Phyllis Biedess
Director

October 1, 2002

OCT 01 2002

Mr. Richard Stavneak, Director
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

Dear Mr. Stavneak:

In accordance with Laws 2002, Chapter 327 § 6, AHCCCS is submitting the requested Cost Sharing Report that identifies new or additional cost sharing measures that could be implemented. The Report primarily discusses strategies that have a chance of approval by the Centers for Medicare and Medicaid Services (CMS).

Medicaid law is very restrictive about the amount of cost sharing that can be imposed on the traditional Medicaid population. There is more flexibility on expansion populations such as the 100% of Federal Poverty Level groups, KidsCare children and the parents of KidsCare children. Any proposal will require federal approval, which could take four to six months, and authorizing state legislation. The strategies that the Cost Sharing Report identifies as possibilities are: new as well as increased copayments and monthly premiums, a monthly premium for households with children enrolled in the long term care program and an initial enrollment fee for eligibility groups who have higher income levels.

Although the Cost Sharing Report contains estimates of the amount of new revenue that could be generated, the figures are optimistic and require several qualifications. First, not all of the revenue will directly benefit the General Fund. For example, copayments are collected by providers, not the AHCCCS program, and the total amount is used to determine a potential offset to an increase in capitation rates. For the Traditional Medicaid population, copayments must be waived if the enrollee can not afford to pay which reduces the rate of collection to about 2% for this population. Second, fees may have a chilling effect on enrollment and may actually increase health care costs if people wait to enroll until they are seriously ill. Third, the estimates for the expansion population are based on CMS' approval of a waiver that gives the state the ability to mandate a copayment or deny services. Finally, AHCCCS does not have solid experience in estimating all of the ramifications of higher cost sharing amounts. The actual revenue that may be generated could be lower than the forecasts or there may be unintended consequences that increase the cost to the program if healthy people do not enroll until they are sick.

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Internet: www.ahcccs.state.az.us

AHCCCS wants guidance from the Joint Legislative Budget Committee before proceeding with these cost sharing measures. If a decision is made to pursue any or all of these strategies, CMS will need at least four to six months to make a decision. Therefore, AHCCCS believes that October 1, 2003 is the earliest date to operationalize changes to cost sharing. It will take at least 12 months from implementation to determine if the forecasts are accurate and if the strategies can save money for the program.

If you have any questions, please contact Lynn Dunton at (602) 417-4447.

Sincerely,

Phyllis Biedess

Phyllis Biedess
Director

Enclosure

c Jennifer Vermeer, Assistant Director, JLBC

Arizona Health Care Cost Containment System

Cost Sharing Options

Submitted to the Joint Legislative Budget Committee
Phyllis Biedess, AHCCCS Director
October 1, 2002

Cost Sharing Options

BACKGROUND

The Arizona Health Care Cost Containment System (AHCCCS) is required to report to the Joint Legislative Budget Committee (JLBC) on the savings that could be achieved in programs if application fees and other cost sharing measures are implemented. Laws 2002, Chapter 357, requires the report to discuss:

1) Savings associated with each option broken out by program, and

2) Administrative costs associated with implementing each option.

Guiding Principles

In preparing this report, AHCCCS used the following guiding principles.

- If allowable by federal law, AHCCCS eligible persons will have some form of cost sharing.
- Lower income populations will have lower cost sharing amounts.
- Impact on the provider community must be considered.
- Cost sharing will be implemented in the most efficient way to reduce administrative costs.
- Data will drive the conclusions.
- Any additional funds that are collected must be shared with the federal government at the Arizona FMAP rate.

Terms Used Throughout Document

- **ALTCS -** Arizona Long Term Care System - The AHCCCS program that provides long term care services to the elderly and physically or developmentally disabled persons.
- **CMS -** Centers for Medicare and Medicaid Services - The federal agency that regulates Medicaid.
- **Expansion population -** Persons added because of voter approval of Proposition 204 with income up to 100% of FPL.
- **HIFA -** A federal initiative that enabled Arizona to cover the parents of KidsCare children with 75% federal funding.
- **KidsCare children -** A program to cover children up to the age of 19 with household income up to 200% of FPL.

- **Traditional Medicaid -** Individuals who are aged, blind or disabled, a pregnant woman or children who have lower incomes than the Expansion population.

FINDINGS

AHCCCS reviewed federal law and regulations, practices in other states and waiver possibilities to determine the feasibility of requiring higher copayments, premiums and other cost sharing strategies for Traditional Medicaid, KidsCare children, HIFA parents and Expansion enrollees. Federal law and regulations are very clear that copayments must be nominal for Traditional Medicaid enrollees and must be waived if a person can not pay. Copayments amounts can be higher for Expansion populations. Considering these parameters, the state could request CMS approval for the following changes to current cost sharing requirements:

- Add new copayments and increase others through a waiver approved by CMS - this change will not increase revenue to the General Fund for the reasons explained below.

- Increase the monthly premium for KidsCare children and include a monthly premium for the new HIFA Parents.

- Request federal approval to collect monthly premiums for children enrolled in ALTCS. The estimates are based on a 5% premium for households with income above 221% of FPL. This threshold was chosen because it approximates the current eligibility level of 300% of SSI for the ALTCS program.

- Request waiver approval to impose an initial enrollment fee for KidsCare children, HIFA Parents and the Expansion population that must be paid before an applicant is enrolled with AHCCCS.

COPAYMENTS

The current copayment amounts are described in Appendices 1 and 2. Copayments are fixed amounts that are collected by providers, such as physicians or laboratories, at the time a service is rendered. In turn, the health plans or program contractors reduce reimbursement to these contracted providers to reflect the dollar amounts that are collected by the provider. Even at the nominal levels, the experience in Arizona and other states is that only about 2% of the possible copayments are collected from Traditional Medicaid populations since the copayment must be waived if the person can not afford to pay.

For the purposes of this report, AHCCCS used a 2% collection rate (25% for prescriptions) for the Traditional Medicaid population and a threshold of 50% and 75% as the collection rate for KidsCare children, HIFA parents and the Expansion population. If providers collect copayments at this level, the revenue that will be generated is between $7,000,000 and $10,250,000. However, increasing the copayments is not a direct fiscal benefit to the state since AHCCCS does not collect the copayments. Revenue that is generated by new or increased copayments will be considered as part of the actuarial analysis of capitation rates and could result in smaller capitation rate increases in the future.

Federal law is very specific about the amount of copayments and sets the following parameters:

1) Copayments must be nominal and waived for traditional Medicaid members who can not afford to pay.

2) No copayments can be imposed on:

- Family planning (Medicaid).
- Services received by children under 18 years of age, pregnant women, individuals receiving hospice care and institutionalized individuals (Medicaid).
- Well baby and well-child services (KidsCare).
- Routine preventive and diagnostic services (KidsCare).

3) Unless a waiver is granted by CMS, the maximum copayment is $3 for traditional Medicaid recipients.

4) SCHIP limits the amount of out-of-pocket expenses for copayments and monthly premiums to no more than five percent of the household income of KidsCare children and HIFA parents.

5) CMS will consider higher copayments on Expansion populations such as the Proposition 204 groups and HIFA parents.

6) States are required to return the federal share (FMAP) portion of the copayments to the federal government which reduces the amount of revenue that could be realized from new or increased copayments.

Considering the federal requirements, CMS guidance and the experience in other states, the state could add or increase copayments as reflected in Table 1. In order for the state to generate revenue that merits an increase in copayments, it is essential that CMS allow the state to refuse a Medicaid service for KidsCare children and HIFA parents and Expansion populations if the copayment is not paid. To date, CMS has not approved any state's request to deny services if the Medicaid recipients can not afford to pay. If the request is not approved by CMS, physicians, hospitals and other providers must provide services and will be penalized if the state lowers reimbursement to account for copayments that can not be collected. Other waivers will be needed to increase copayments for the non-emergency use of the emergency room and for non-emergency transportation. CMS has not approved higher copayments for Traditional Medicaid populations but have approved a few waiver requests to increase copayments on Expansion populations.

Table 1-State Share of Revenue to Providers Due to Increased or Added Copayments (Does not include behavioral health and the RHBAs)

Program	**Generic Prescriptions** $2 Traditional Medicaid $5 All Others	**Brand Name Prescriptions** $2 Traditional Medicaid $8 Expansion and HIFA $5 KidsCare	**Non-Emergency Use of the Emergency Room** $6 Traditional Medicaid $10 KidsCare <150% $30 All Others	**Non-Emergency Transportation** $5 Traditional Medicaid and KidsCare <150% $10 All Others	**All Other Services** $2 Traditional Medicaid $5 All Others
Traditional Medicaid (1)	$322,000	$132,000	Negligible for this group since hospitals must stabilize an "emergency" and waive the copayment if the person can not pay	$8,000	$12,000 (Primary Dr.) $22,000 (Specialist) $3,000 (Lab and X-ray)
Prop 204 Expansion Groups (2)	$1,383,000-$2,074,000	$904,000-$1,355,000	$31,000-$46,000	$338,000-$507,000	$1,903,000-$2,854,000 (Primary Dr.) $589,000-$884,000 (Specialist) $881,000-$1,321,000 (Lab and X-ray)
HIFA Parents (2)	$83,000-$125,000	$55,000-$82,000	$3,000-$4,000	$15,000-$22,000	$118,000-$177,000 (Primary Dr.) $27,000-$40,000 (Specialist) $36,000-$54,000 (Lab and X-ray)
KidsCare <150% of the FPL (2)	$29,000-$44,000	$12,000-$18,000	Negligible	$4,000-$5,000	$0 (3) (Primary Dr.) $9,000-$13,000 (Specialist) $20,000-$30,000 (Lab and X-ray)
KidsCare >150% of the FPL (2)	$24,000-$35,000	$10,000-$14,000	$1,000	$6,000-$9,000	$0 (3) (Primary Dr.) $7,000-$10,000 (Specialist) $16,000-$24,000 (Lab and X-ray)
GRAND TOTAL	$1,841,000-$2,600,000	$1,113,000-$1,601,000	$35,000-$51,000	$371,000-$551,000	$3,643,000-$5,444,000

1. Traditional Medicaid estimates are based on collecting 2% of the copayments (25% for prescriptions) since a state can not deny services if the person can not pay.

2. KidsCare, HIFA and Expansion Populations estimates are based on collecting a range of 50% and 75% of the copayments. This percentage is dependent on getting CMS approval to deny services if the copayment is not paid.

3. There is no data on primary doctor copayments for KidsCare since copayments can not be assessed on well baby or well child visits.

4. Enrollment information as of 7/1/02

5. This is a snapshot of the data. Utilization and enrollment may change over time and increase or decrease the collections.

Administrative Costs

There will be new administrative costs at the health plan or program contractor level to pay providers to collect these copayments.

MONTHLY PREMIUMS

Premiums are monthly amounts a member pays to maintain enrollment in AHCCCS. The federal limitations are:

1) States can not charge a monthly premium on Traditional Medicaid populations.

2) There is some flexibility to assess a monthly premium on Expansion populations with approval by CMS.

3) AHCCCS may impose a premium for KidsCare children and HIFA parents but the combined total of all cost sharing can be not more than five percent of the household income.

4) States are required to return the federal share (FMAP) portion of the premium to the federal government which reduces the amount of revenue that the state may realize.

Monthly Premiums for KidsCare and HIFA Parents

As shown in Table 2, the state may assess a monthly premiums on HIFA Parents, impose a monthly premium for KidsCare children under 150% of the FPL and increase the monthly premium by $5 for all other KidsCare children between 150% to 200% of the FPL.

The estimated revenue is calculated based on 100% payment of the premiums since the premium must be paid in order to continue participation in the program.

Table 2-Increased Premium Amounts Based on 100% Collection (State Share Only)

Premiums/per month	100% to 150% FPL	150% to 175% FPL	175% to 200%FPL
KidsCare	$15 for one KidsCare child $25 for more than one KidsCare child	$20 for one KidsCare child $30 for more than one KidsCare child	$25 for a household with one KidsCare child $35 for more than one KidsCare child
	$1,312,000	**$472,000**	**$346,000**
Premiums/per month	**100% to 150% FPL**	**150% to 175% FPL**	**175% to 200%FPL**
HIFA Parents	$15 for each HIFA parent	$20 for each HIFA parent	$25 for each HIFA parent
	$1,348,000	**$225,000**	**$205,000**
		GRAND TOTAL	**$3,908,000**

Administrative Costs

AHCCCS currently collects premiums for the KidsCare Program. Administrative costs to increase the premiums can be absorbed by the agency.

Assess Monthly Premiums on Households With ALTCS Eligible Children

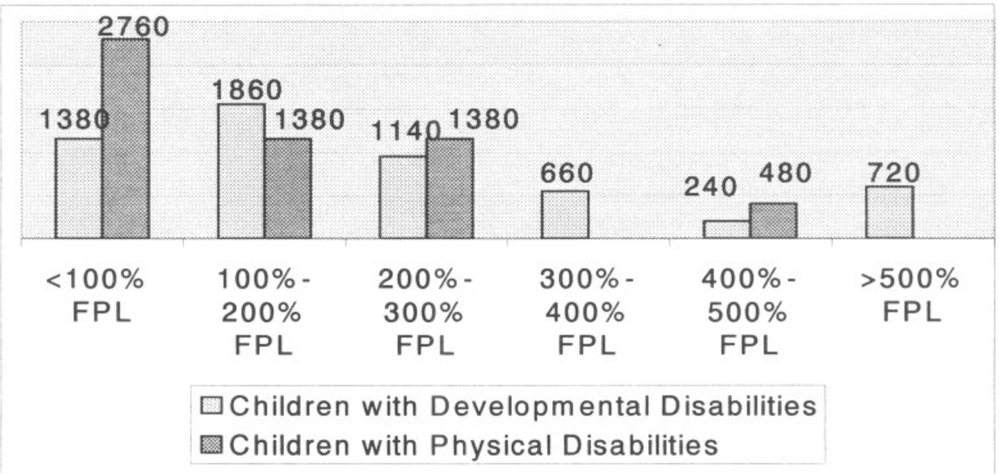
Currently, parental income is not counted when a child under the age of 18 applies for enrollment in ALTCS. In 1987, the state decided not to count parental income in order to cover as many disabled children as possible with federal funds and to reduce the waiting list for services provided to children with developmental disabilities.

There are almost 6,000 physically or developmentally disabled children enrolled in ALTCS who live at home with parents with household income levels that range from under 100% of the FPL to well over 1500% of the FPL (see Table 3). Even at the higher income levels, parents do not pay anything toward the cost of ALTCS services for their children.

The state could pursue a waiver from CMS that would allow the state to assess a monthly premium based on household income above 221% of the FPL for children enrolled in ALTCS. This FPL level approximates the current eligibility level of 300% of SSI that is used to determine financial eligibility for the ALTCS program. This FPL also targets households with higher income (e.g. a family of four with a monthly income of over $3,333).

CMS has advised the state that any change in the long term care program will require the state to negotiate a budget neutrality agreement for ALTCS, which will increase administrative costs to the agency for this task. If the state receives approval, rules must be promulgated to support the amount of the premiums.

Table 3- Households by Income Levels



An example of the amount of the monthly premium based on household income is depicted in Table 4.

Table 4-ALTCS Monthly Premiums (State Share Only)

5% of Household Income	Premium Amount	Estimated Total Revenue
Income from 221%-300% of FPL	$138	$410,000
Income above 300%-400% of FPL	$187	$416,000
Income above 400%-500 of FPL	$250	$263,000
Income above 500% of FPL	$312	$757,000
	GRAND TOTAL	**$1,846,000**

1. The ALTCS estimation was based on a sample size of 305 children under the age of 18 who reside at home with a parent.

2. The dollar figure represents a household of 3.

Enrollment Fees

Utah received CMS' approval to impose an enrollment fee on Expansion populations at the time of initial enrollment. The state could request a waiver from CMS to impose a $25 enrollment fee at the time of initial enrollment. AHCCCS has estimated the revenue that would be generated by this new fee in Table 5 but can not quantify the impact to the AHCCCS' budget if healthy people do not enroll until they are sick or what the amount of the increase in uncompensated care for hospitals and providers will be.

Table 5-Add a $25 Enrollment Fee at 100% Collection (State Share Only)

$25 Enrollment Fee	Increased Revenue
Prop 204 Expansion Groups	$595,000
HIFA Parents	$182,000
KidsCare Children	$483,000
TOTAL	**$1,260,000**

NECESSARY ACTIONS TO IMPLEMENT COST SHARING CHANGES

In order to increase or add copayments, enrollment fees and monthly premiums the legislature must amend AHCCCS' statutes and CMS must approve a waiver before the state could:

- Set copayment amounts above the "nominal" standard in federal and state law.
- Deny a service if a member refuses to pay the copayment.
- Add enrollment fees and increase or add new premiums.

ENHANCED REVENUE

Table 6 provides a total estimate of potential offset for higher copayments and new revenue that may be generated by new or higher premiums. These estimates are based on several variables including state and federal approval, enrollment numbers at today's levels or higher and the willingness of the providers to collect copayments.

Any budget estimate must take into account that copayments will not increase revenue to the state in the short term. The long term benefit to the state will depend on whether the amount of copayments that are collected by the providers is sufficient to warrant a future offset to the overall medical inflation cost that is factored into capitation rates to keep them actuarially sound.

Table 6-Estimated Collection of Higher and New Copayments

Source	Total Revenue	Federal Share	State Share	Statute Change	Waiver Request
Add Generic Prescription Copayment (1) • $2 Traditional Medicaid • $5 All Others	$5,801,000- $8,209,000	$3,959,000- $5,608,000	$1,841,000- $2,601,000	Yes	No
Add Brand Name Prescription Copayment (1) • $2 Traditional Medicaid • $5 KidsCare Children • $8 Expansion and HIFA	$3,494,000- $5,039,000	$2,381,000- $3,438,000	$1,113,000- $1,601,000	Yes	No
Increase Copayments for the Non-Emergency Use of the ER (2) • $6 Traditional Medicaid • $10 KidsCare Children <150% • $30 Expansion, HIFA, and KidsCare Children >150%	$111,000- $164,000	$76,000- $112,000	$35,000- $51,000	Yes	Yes
Add Copayment for Non-Emergency Transportation (2) • $5 Traditional Medicaid and KidsCare Children <150% • $10 Expansion, HIFA and KidsCare Children>150%	$1,162,000- $1,730,000	$791,000- $1,179,000	$371,000- $551,000	Yes	Yes
Increase/Add Copayment for Primary Doctor (2) • $2 Traditional Medicaid • $5 All Others	$6,362,000- $9,524,000	$4,329,000- $6,481,000	$2,033,000- $3,043,000	Yes	Yes
Increase/Add Copayment for Specialist (2) • $2 Traditional Medicaid • $5 All Others	$2,053,000- $3,045,000	$1,398,000- $2,075,000	$654,000- 970,000	Yes	Yes
Increase/Add Copayment for Lab and X-ray (2) • $2 Traditional Medicaid • $5 All Others	$3,016,000- $4,517,000	$2,058,000- $3,084,000	$956,000- $1,433,000	Yes	Yes
Total Copayments	$21,999,000- $32,228,000	$14,992,000- $21,977,000	$7,003,000- $10,250,000		

Over a 12-month period, premiums could generate new revenue to the state if CMS approves the waiver.

Table 7 - New or Higher Premiums

Source	Total Revenue	Federal Share	State Share	Statute Change	Waiver Request
Premiums for HIFA Parents and KidsCare Children	$17,050,000	$13,142,000	$3,908,000	Yes	Yes
Premiums for ALTCS	$5,638,000	$3,792,000	$1,846,000	Yes	Yes
Enrollment Fees	$4,720,000	$3,460,000	$1,260,000	Yes	Yes
Total Premium Collections	$27,408,000	$20,394,000	$7,014,000		

GRAND TOTAL	**$49,407,000-$59,636,000**	**$35,386,000-$42,371,000**	**$14,017,000-$17,264,000**

1. Traditional Medicaid estimates are based on collecting 2% of the copayments (25% for prescriptions) since a state can not deny services if the person can not pay.

2. KidsCare, HIFA and Expansion populations estimates are based on collecting range of 50% and 75% of the copayments. This percentage is dependent on getting CMS approval to deny services if the copayment is not paid.

Appendix 1

AHCCCS Current Copayments

Traditional Medicaid

Service	Copayment
Non-emergency use of the emergency room	$5
Non-emergency surgery procedure	$5
Doctor's office or home visit and all diagnostic and rehabilitative x-ray and laboratory services associated with the visit	$1

KidsCare Children

Service	Copayment
Non-emergency use of the emergency room	$5

Appendix 2
Federal Copayment Limits

Traditional Medicaid

Copayments can range from $0.50 to $3 depending on the cost of the service.

Cost of Service	Copayment
0-$10	$0.50
$10.01-$25	$1
$25.01-$50	$2
$50.01 and higher	$3

*Non-emergency use of the emergency room can be increased from $5 to $6 with a waiver.

Exclusions

Copayments may not be charged on:

- Family planning; and
- Services received by children under 18 years of age, pregnant women, individuals receiving hospice care and institutionalized individuals.

KidsCare Children

For KidsCare children under 150% of the FPL, non-emergency use of the emergency room copayments cannot exceed $10 and copayments on all other services cannot exceed $5. Total cost sharing (copayments, premiums, and enrollment fees) cannot exceed 5% of the household annual income.

Total Out of Pocket @ 5% Cap

Family Size	5% of 100% FPL	5% of 150% FPL	5% of 175% FPL	5% of 200% FPL
1	443.00	664.50	775.25	886.00
2	597.00	895.50	1,044.75	1,194.00
3	751.00	1,126.50	1,314.25	1,502.00
4	905.00	1,357.50	1,583.75	1,810.00

Exclusions

Copayments may not be charged on:

- Well baby and well-child services, and
- Routine preventive and diagnostic services.

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: October 17, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

FROM: Richard Stavneak, Director

SUBJECT: REPORT ON RECENT AGENCY SUBMISSIONS

Request

The JLBC has received a number of statutorily required reports during the past month. Each report is briefly described below.

Recommendation

The reports are for information only and no Committee action is required. We do not intend to discuss the reports at the JLBC meeting unless a member has a question. If any member knows in advance that they will have questions, we would appreciate knowing that before the meeting so as to ensure the relevant agency is available.

Reports

A. Board of Accountancy -Report on Plan to Reconcile Budget

Pursuant to a General Appropriation Act footnote, the Board of Accountancy is to report by June 30, 2002 to the JLBC on progress made in evaluating the equity of the board's fee structure in relation to asset management and a plan to bring agency expenditures in line with revenues. The Board submitted its report on October 4, 2002. The Board plans to maintain the current uniform fee structure so that the public is treated in a fair and equitable manner. Also, the Board is currently at its statutory limit for fees. The Board has established a task force to review the current fee structure.

The report does not outline any specific plan to bring expenditures into line with revenue beyond "good fiscal management." In FY 2002, expenditures exceeded on-going, non-cost recovery revenues by $90,000. The Board, however, used a prior year fund balance of $1,623,000 to keep their overall budget in balance. The imbalance of revenues and expenditures would have been worse, but the Board spent only 77% of its appropriation. The Board points out that it has a large fund balance due to cost recovery. The Board received cost recovery of $583,634 in FY 2001, $671,700 in FY 2002, and projects about $100,000 in FY 2003.

B. AHCCCS - Report on Medicaid in Public School Initiative Services Reimbursement

Pursuant to a General Appropriation Act footnote, the Arizona Health Care Cost Containment System (AHCCCS) is providing the annual report on the Medicaid in the Public Schools (MIPS) program. This program is designed to provide Title XIX covered services to special needs children in special education programs in public schools. As the Legislature requested, the report by AHCCCS gives an overview of the MIPS program, and also provides information on the services provided, the number of children being served, and the cost of these services.

As of June 30, 2002, over 9,000 children throughout Arizona are receiving services through the MIPS program. These services must be determined "medically necessary" by a health care professional. These children are eligible for nursing services, health aide services (attendant care), occupational therapy, speech therapy, physical therapy, and transportation services. In FY 2002 participating schools received a total of $19,052,200 in Medicaid Federal Financial Participation Funds. This total represents approximately 65% of the total cost of the services, while the remaining matching monies were provided by the participating schools. In addition, over $4 million was spent for the administration of the program, with half in the form of Federal monies, and half from participating schools.

C. Department of Economic Security - Bimonthly Report on Children Services

Pursuant to a General Appropriation Act footnote, the Department of Economic Security (DES) has submitted the bimonthly Children Services report for October 1. The report includes actual expenditure and caseload data through August 2002. Year-to-date expenditures total $8,143,900, which essentially reflect just one complete month of expenditures, since payments are generally made the month after services are provided. Although it is early in FY 2003, DES currently projects a General Fund deficit of $(9,597,200). August 2002 client counts are 4.1% (621 children) higher than August 2001 client counts.

Also, pursuant to a Committee request from the August meeting, DES has incorporated data on residential placement clients and expenditures in its report. The Committee asked DES to include this information as part of the Committee's review of the Department of Health Services' (DHS's) behavioral health capitation rate increase. DES expenditures for residential placement clients were $872,800 in July and $756,900 in August, though DES notes that not all provider payments may be included in these figures. These amounts show a continued decline from June, in which DES expenditures for residential placement clients totaled $1,022,900. These figures seem to indicate that DHS and the Regional Behavioral Health Authorities (RBHAs) continue to absorb more DES clients into its system as assumed in the capitation rate increase. DES expenditures, however, are still above the $450,000 to $500,000 per month level JLBC Staff assumed would remain after DHS and the RBHAs assumed more responsibility for these clients.

D Department of Emergency and Military Affairs - Report on Declared Emergencies

Pursuant to A.R.S. § 26-303, on August 22, 2002, the Governor amended the earlier proclamation of July 3, 2002 (PCA 23001) relating to a potable water shortage in Coconino and Gila Counties. The August amendment extended the proclamation to include support for Navajo County. Pursuant to A.R.S. § 35-192, the Governor directed that an additional sum of $30,000 from the General Fund be made available for expenditure by the Director of the State Division of Emergency Management. The proclamation in July had authorized the expenditure of $50,000. The total authorized expenditure for the emergency is $80,000.

Under A.R.S. § 35-192, the Governor is authorized to approve the expenditure of $200,000 or less for any single disaster or emergency. Authorization of larger expenditures cannot be made without consent of a majority of the members of the State Emergency Council. The total amount of all expenditures for States of Emergency cannot exceed $4,000,000 for any fiscal year. There have been four emergency declarations, amendments or other actions in FY 2003 with total authorized expenditures of $3,492,500 from the General Fund.

E. Game and Fish Department - Report on Game and Fish Publications Revolving Fund

Pursuant to A.R.S. § 17-269(B), the Arizona Game and Fish Department (AGFD) is required to submit an annual report detailing all revenues and expenditures made from the department's Publications Revolving Fund.

The AGFD Publications Revolving Fund is established from monies received from the sale of publications relating to wildlife and the activities of the AGFD. Monies in the fund are appropriated to the AGFD to produce and distribute department publications and information. Any balance in excess of $80,000 immediately reverts to the Game and Fish Fund. Monies in the AGFD Publications Revolving Fund, up to an amount of $80,000 are exempt from the provisions relating to lapsing appropriations.

We received the report for the 4th quarter of FY 2002 on October 8, 2002. A summary of the AGFD Publications Revolving Fund cash balance for FY 2002 by quarter is shown below.

	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Ending Balance (with Encumbrances)	**$37,500**	**$73,900**	**$12,200**	**$66,000**

F. Department of Health Services - Report on Transfer Allocation

At its August meeting, JLBC approved a transfer of $3,562,300 from the Seriously Emotionally Handicapped (SEH) Special Line Item in the Behavioral Health cost center of the Department of Health Services (DHS) budget to the Behavioral Health Operating Lump Sum. The General Appropriation Act for FY 2003 distributed the DHS lump sum reduction in each of the DHS cost centers operating budgets, excluding the Arizona State Hospital. DHS determined that they could best absorb the bulk of their lump sum reduction by transferring payment for services previously paid for through the SEH Line Item to the Title XIX program.

JLBC approved this transfer understanding additional transfers would be made through Department of Administration to cover the reductions that were taken in the operating lump sum appropriations in the other DHS cost centers in the General Appropriation Act. The Committee requested that DHS report on the amount of those additional transfers by September 25.

The following table summarizes the original lump sum reduction taken in each of the DHS cost centers, the amount transferred to each operating budget, and the net reduction absorbed by each operating lump sum budget.

Cost Center	Original Lump Sum Reduction	Transfers	Net Reduction
Administration	$(1,884,500)	$1,390,500	$(494,000)
Public Health	(947,500)	676,600	(270,900)
Family Health	(533,300)	381,000	(152,300)
Behavioral Health	(1,198,700)	1,114,200	(84,500)
	$(4,564,000)	$3,562,300	$(1,001,700)

G. <u>JLBC Staff - Report on Analysis of Fee Equity</u>

Pursuant to Laws 2002 Chapter 214, the Joint Legislative Budget Committee Staff is required to analyze the fees, assessments and taxes imposed by the Department of Insurance (DOI) and report to the Joint Legislative Budget Committee by October 1, 2002. The report must include an analysis of the actual costs of the services for which the fees are charged and a discussion of whether the fees are equitable. In its October 1 report, JLBC Staff analyzed insurance fees and assessments for FY 2002 using information provided by the Department of Insurance. The equity of insurance fees was determined by comparing the actual cost of providing DOI services with the fee revenue generated from different types of insurers and insurance professionals.

The results of the analysis indicate that a significant imbalance exists between costs and revenues in two areas. Fees collected for medical or hospital service corporations, health care services organizations (HMOs), or prepaid dental plan organizations were $8,250 while DOI's cost to administer these 22 organizations was $726,040. On the other hand, fees collected in FY 2002 for domestic life/disability reinsurers, and unaffiliated credit life/disability reinsurers were $1,190,725 compared to expenditures of $111,413.

Fee ranges applying to each type of insurer are set legislatively, rather than by DOI. A.R.S. ' 20-167 requires the Department of Insurance to revise its fees upward if the revenue collected from all fees during the prior fiscal year is less than 95% of the appropriated budget, or adjust its fees downward if it collects more than 110% of the appropriated budget for the current fiscal year. When making adjustments, DOI is required under A.R.S. ' 20-167 to adjust fees on a "uniform percentage basis among all fee categories." Thus, the department cannot adjust one fee without adjusting all other fees by the same percent. As a result, it is difficult to eliminate fee inequities without statutory changes.

In addition to the fees charged by the Department of Insurance, there is also a tax imposed on net insurance premiums received by insurance companies in the state. Except for a portion of the insurance premium tax on fire insurance premiums and an additional premium tax paid on vehicle insurance premiums, the proceeds from this tax are deposited into the state's General Fund. Over and above the $6.5 million in fee revenues collected for FY 2002, the Insurance Premium Tax generated $195.3 million in General Fund revenue for the fiscal year. Chapter 214 did not specify the type of analysis required for the Insurance Premium Tax. A recent study of insurance tax rates prepared by the PJB/Wakonda Group for the insurance industry is available upon request.

H. <u>Department of Juvenile Corrections - Report on Overtime, Turnover, and Travel Stipend</u>

Pursuant to a General Appropriation Act footnote, the Arizona Department of Juvenile Corrections (ADJC) is required to submit a report on its findings on the relationship between a travel stipend, turnover, and overtime pay.

In an effort to reduce turnover, improve recruitment, and maintain its recruitment competitiveness with the Arizona Department of Corrections (ADC) neighboring Lewis Complex, the ADJC implemented a $2,500 per year travel stipend for all Southwest Regional Complex (SWR) Staff in April 2000. In a subsequent review on the impacts of the travel stipend on turnover and overtime spending between FY 2000 and FY 2002, the department discovered the following:

- The turnover rate at SWR decreased 20% between FY 2000 and FY 2001.
- The percentage of employees citing job competitiveness as the reason for leaving the SWR fell from 52% to 28% in the two years following the stipend's implementation.

- The percentage of employee responses citing the institution's location as their reason for leaving SWR fell from 15% to 5% in the two years following the stipend's implementation.

However, total overtime expenditures per FTE Position at SWR increased by 15% between FY 2000 and FY 2001. ADJC reports this increase comes as a result of opening the Department's Parole Violator Center (PVC) at SWR. In February 2001, ADJC opened the Sunrise Mountain PVC to focus on youth who fail to comply with the conditions of their parole. During its first four months of operation, the PVC used SWR Staff, on an overtime basis, to provide support to the center. At this time SWR's overtime expenditures more than doubled, pushing annual expenditures per FTE Position past the prior year. However, ADJC reports that for the first 8 months of FY 2001 prior to the opening of the PVC, SWR's overtime usage was 24% below the FY 2000 level. The ADJC in some circumstances does not report the effect of the stipend in FY 2002.

I. <u>State Parks Board - Report on Park Operating Expenditures</u>

Pursuant to Laws 2002, 5th Special Session, Chapter 3 the Arizona State Parks Board is providing the park operating expenditure report for the quarter ending September 30, 2002.

This report is for information only and no Committee action is required. As part of legislation granting the Parks Board a $450,000 FY 2003 supplemental, the Legislature directed the Parks Board to submit to JLBC a report on the operating expenditures of each state park, on a quarterly basis. This submission meets this requirement.

Operating expenditures for the 28 state parks totaled $1,845,900 for the first quarter of FY 2003. Of this total, $1,561,400 (approximately 85%) was spent on Personal Services and ERE. Kartchner Caverns State Park represented approximately 20% of the total operating expenditures, and General Fund monies accounted for approximately 56% ($1,041,100) of the total quarterly spending. All State Parks are currently open.

RS:lm