

## Arizona Health Care Cost Containment System

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,326.3	2,339.3	2,339.3
Personal Services	43,695,300	43,277,900	43,277,900
Employee Related Expenditures	18,472,300	18,279,200	18,279,200
Professional and Outside Services	10,904,900	11,146,800	11,146,800
Travel - In State	119,400	117,600	117,600
Travel - Out of State	24,500	24,100	24,100
Other Operating Expenditures	16,294,500	18,064,900	18,064,900
Equipment	569,000	574,800	574,800
<b>OPERATING SUBTOTAL</b>	<b>90,079,900</b>	<b>91,485,300</b>	<b>91,485,300</b> <sup>1/2/</sup>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
ADOA Data Center	15,982,000	19,325,800	19,325,800
DES Eligibility	72,922,300	88,874,500	88,874,500
Proposition 204 - AHCCCS Administration	17,788,800	13,143,500	13,143,500
Proposition 204 - DES Eligibility	35,744,700	44,358,700	44,358,700
Proposition 206 - Network Adequacy Report	61,700	0	0
<b>Medicaid Services</b>			
Traditional Medicaid Services	4,990,029,500	5,347,303,600	5,470,440,200
Proposition 204 Services	3,587,140,400	3,953,396,600	4,054,746,300
Adult Expansion Services	535,974,400	565,675,000	515,435,200
Children's Rehabilitative Services	299,473,400	0	0
Comprehensive Medical and Dental Program	134,885,200	199,914,500	204,128,600
KidsCare Services	57,555,400	81,846,900	84,574,100
ALTCS Services	1,541,358,300	1,605,757,300	1,725,889,300
Behavioral Health Services in Schools	0	9,943,700	9,990,000
<b>Non-Medicaid Behavioral Health Services</b>			
Non-Medicaid Seriously Mentally Ill Services	78,180,000	77,646,900	77,646,900
Supported Housing	5,330,200	5,324,800	5,324,800
Crisis Services	16,407,200	16,391,300	16,391,300
Substance Use Disorder Services Fund Deposit	10,000,000	0	0
<b>Hospital Payments</b>			
Disproportionate Share Payments	4,859,900	5,087,100	5,087,100
DSH Payments - Voluntary Match	15,493,600	38,220,300	40,980,200
Graduate Medical Education	272,269,400	375,773,400	293,607,800
Rural Hospitals	22,650,000	28,612,400	28,612,400
Safety Net Care Pool	54,663,300	0	0
Targeted Investments Program	19,991,900	70,000,000	90,000,000
<b>AGENCY TOTAL</b>	<b>11,878,841,500</b>	<b>12,638,081,600</b>	<b>12,880,042,000</b> <sup>17/-21/</sup>
<b>FUND SOURCES</b>			
General Fund	1,759,338,500	1,777,093,500	1,780,959,200
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	4,251,300	3,756,200	3,906,400
Children's Health Insurance Program Fund	60,114,000	87,572,700	84,286,700
Prescription Drug Rebate Fund - State	145,284,800	148,458,800	202,116,700
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
TPTF Emergency Health Services Account	17,627,300	17,966,100	16,216,300
TTHCF Medically Needy Account	69,486,100	68,040,500	61,752,600

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 BASELINE
SUBTOTAL - Other Appropriated Funds	299,013,700	328,044,500	370,528,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,058,352,200</b>	<b>2,105,138,000</b>	<b>2,151,488,100</b>
<u>Expenditure Authority Funds</u>			
County Funds	315,700,800	315,067,700	326,809,700
Delivery System Reform Incentive Payment Fund	6,149,500	21,773,100	28,062,400
Federal Medicaid Authority	8,408,942,600	9,039,581,900	9,156,048,300
Hospital Assessment Fund	255,421,000	310,023,300	325,424,900
Nursing Facility Provider Assessment Fund	32,501,500	32,989,400	32,989,600
Political Subdivision Funds	114,602,300	138,077,400	113,909,700
Prescription Drug Rebate Fund - Federal	548,393,900	550,507,200	609,060,300
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	101,761,000	87,000,000	102,000,000
TPTF Proposition 204 Protection Account	37,016,700	37,728,900	34,054,300
SUBTOTAL - Expenditure Authority Funds	9,820,489,300	10,532,943,600	10,728,553,900
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>11,878,841,500</b>	<b>12,638,081,600</b>	<b>12,880,042,000</b>
Other Non-Appropriated Funds	97,115,000	110,247,600	110,247,600
Federal Funds	132,182,200	193,060,400	193,461,800
<b>TOTAL - ALL SOURCES</b>	<b>12,108,138,700</b>	<b>12,941,389,600</b>	<b>13,183,751,400</b>

**AGENCY DESCRIPTION** — The Arizona Health Care Cost Containment System (AHCCCS) operates on a health maintenance organization model in which contracted providers receive a predetermined monthly capitation payment for the medical services cost of enrolled members. AHCCCS is the state's federally matched Medicaid program and provides acute care services, behavioral health services, and long term care services.

**FOOTNOTES**

- 1/ Includes 619.3 GF and 696.8 EA FTE Positions funded from Special Line Items in FY 2020.
- 2/ Of the amount appropriated for the Operating Lump Sum, \$100,000 shall be used for a suicide prevention coordinator to assist school districts and charter schools in suicide prevention efforts. AHCCCS, in consultation with the Department of Education, shall report to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting on or before September 1, 2020 on the suicide prevention coordinator's accomplishments in FY 2020. (General Appropriation Act footnote)
- 3/ The amounts appropriated for the DES Eligibility line item shall be used for intergovernmental agreements with the Department of Economic Security for eligibility determination and other functions. The state General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility based on the results of the Arizona Random Moment Sampling Survey. (General Appropriation Act footnote)
- 4/ The amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility and Proposition 204 Services line items include all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 5/ The AHCCCS Administration shall transfer up to \$1,200,000 from the Traditional Medicaid Services line item for FY 2020 to the Attorney General for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 6/ The AHCCCS Administration shall transfer ~~\$436,000~~ \$836,000 from the Traditional Medicaid Services line item for FY 2020 to the Department of Revenue for enforcement costs associated with the March 13, 2013 Master Settlement Agreement with tobacco companies. (General Appropriation Act footnote)
- 7/ It is the intent of the Legislature that the percentage attributable to administration and profit for the Regional Behavioral Health Authorities be 9% of the overall capitation rate. (General Appropriation Act footnote)
- 8/ The Expenditure Authority fund source includes voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program or treat low-income patients and for payments to qualifying providers affiliated with teaching hospitals. The political subdivision portions of the FY 2020 costs of Graduate Medical Education, Disproportionate Share Payments - Voluntary Match, Safety Net Care Pool, Traditional Medicaid Services, Proposition 204 Services, and Adult Expansion Services line items are included in the Expenditure Authority fund source. (General Appropriation Act footnote)

- 9/ Any federal monies that the AHCCCS Administration passes through to the Department of Economic Security for use in long term care for persons with developmental disabilities do not count against the long-term care expenditure authority above. (General Appropriation Act footnote)
- 10/ Pursuant to A.R.S. § 11-292B, the county portion of the FY 2020 nonfederal costs of providing long term care system services is \$280,648,000. This amount is included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 11/ Any supplemental payments received in excess of \$108,386,600 for nursing facilities that serve Arizona Long Term Care System Medicaid patients in FY 2020, including any federal matching monies, by the AHCCCS Administration are appropriated to the Administration in FY 2020. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. These payments are included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 12/ On or before June 30, 2020, the AHCCCS Administration shall report to the Joint Legislative Budget Committee on the progress in implementing the *Arnold v. Sarn* lawsuit settlement. The report shall include at a minimum the Administration's progress toward meeting all criteria specified in the 2014 joint stipulation, including the development and estimated cost of additional behavioral health service capacity in Maricopa County for supported housing services for 1,200 class members, supported employment services for 750 class members, 8 assertive community treatment teams and consumer operated services for 1,500 class members. The Administration shall also report by fund source the amounts it plans to use to pay for expanded services. (General Appropriation Act footnote)
- 13/ The \$5,087,100 appropriation for Disproportionate Share Payments (DSH) for FY 2020 made pursuant to A.R.S. § 36-2903.01O includes \$4,202,300 for the Maricopa County Health Care District and \$884,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
- 14/ Any monies received for Disproportionate Share Hospital payments from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona Board of Regents, and any federal monies used to match those payments, in FY 2020 by the AHCCCS Administration in excess of \$40,980,200 are appropriated to the Administration in FY 2020. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 15/ Any monies for Graduate Medical Education received in FY 2020, including any federal matching monies, by the AHCCCS Administration in excess of \$293,607,800 are appropriated to the Administration in FY 2020. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 16/ Any monies received for the Safety Net Care Pool by the AHCCCS Administration in FY 2020, including any federal matching monies, are appropriated to the Administration in FY 2020. Before the expenditure of these monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 17/ The non-appropriated portion of the Prescription Drug Rebate Fund established by A.R.S. § 36-2930 is included in the federal portion of the Expenditure Authority fund source. (General Appropriation Act footnote)
- 18/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the AHCCCS Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 19/ The AHCCCS Administration shall report to the Joint Legislative Budget Committee on or before March 1, 2020 on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum may not be more than 2%. Before implementing any changes in capitation rates, the AHCCCS Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the Administration implements any change in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the Administration shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal impact analysis demonstrates that this change will result in additional state costs of \$500,000 or more for any fiscal year, the Administration shall submit the policy change for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 20/ On or before July 1, 2020, the AHCCCS Administration shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received on or before that date since July 1, 2019. (General Appropriation Act footnote)
- 21/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

**Summary**

AHCCCS' FY 2020 General Fund spending increases by \$3,865,700, or 0.2%, from FY 2019. This amount includes:

- \$88,831,200 for growth in state match expenses associated with formula adjustments.
- \$(84,965,500) for changes in General Fund offsets.

Below is an overview of FY 2020 formula adjustments. *Table 1* summarizes these changes.

<b>Table 1</b>	
<b>AHCCCS General Fund Budget Spending Changes</b>	
(\$ in millions)	
<b>Formula Adjustments</b> <sup>1/</sup>	
FY 2019 Base Adjustment	\$ (44)
Annualize CRS Transfer	(5)
FY 2020 1.7% Caseload Growth	43
FY 2020 3.0% Capitation Rate Increase	74
FY 2020 Suspend ACA Health Insurer Fee	(27)
FY 2020 Federal Medicaid Match Rate Change	29
FY 2020 CHIP Match Rate Change	<u>18</u>
<i>State Match Costs Subtotal</i>	<i>89</i>
<b>General Fund Offsets</b>	
Prescription Drug Rebate Fund (One-Time)	(37)
Prescription Drug Rebate Fund (Ongoing)	(17)
Hospital Assessment Fund	(15)
Tobacco Litigation Monies	(15)
Tobacco Tax Revenue Decrease	12
County Funds Increase	(12)
Access to Professional Services Initiative	<u>(1)</u>
<i>General Fund Offsets Subtotal</i>	<i>(85)</i>
<b>Total Spending Change</b>	<b>\$ 4</b>

<sup>1/</sup> Numbers do not add to total due to rounding.

As part of the budget's 3-year spending plan, AHCCCS' General Fund costs are projected to increase by \$200,789,500 in FY 2021 above FY 2020 and by \$114,737,100 in FY 2022 above FY 2021. *(See the Other Issues section for more information.)*

**Formula Adjustments**

Formula adjustments represent changes that occur under current law, including caseload, capitation, and federal match rate revisions, as well as changes in General Fund offsets. The Baseline includes an increase of \$3,865,700 from the General Fund in FY 2020 for formula adjustments.

The Baseline estimates the total level of additional state matching funds required to cover cost growth associated with population growth, inflation, and federal funding

changes. For FY 2020, this amount is estimated to be \$88,831,200.

To determine the General Fund's share of these costs, the Baseline then estimates the level of new non-General Fund state resources available to cover the state matching expenses. For example, statute requires that certain state Medicaid expenses be covered with dedicated non-General Fund revenue sources, including Hospital Assessment revenues for physical health costs for ACA expansion populations and county funds for a portion of long-term care cost growth. In FY 2020, the Baseline includes an increase of \$84,965,500 from these non-General Fund sources, resulting in a net General Fund increase of \$3,865,700 in FY 2020. The impacts of formula adjustments are outlined in more detail below.

*FY 2019 Base Adjustment*

The Baseline includes a decrease of \$(43,566,500) in state costs in FY 2020 for a rebase associated with formula growth savings for FY 2019. The formula growth savings are primarily based lower-than-projected caseload growth in FY 2018 and FY 2019. The Baseline includes an ex-appropriation of \$(28,564,900) from the General Fund in FY 2019 to reflect the savings. *(Please see Other Issues for more information.)*

*Annualize CRS Transfer*

The Baseline includes a decrease of \$(5,070,900) from the General Fund and \$(16,796,700) in Total Funds in FY 2020 to annualize the transfer of Children's Rehabilitative Services (CRS) for DD clients to DES, which occurred in October 2018. The FY 2019 transfer to DES was authorized as part of the enacted FY 2019 budget.

*FY 2020 Caseload Adjustment*

Formula adjustments include 1.7% caseload growth for most AHCCCS populations, resulting in growth of 29,463 member in acute care, behavioral health services, and long-term care (excluding KidsCare). Caseload growth is expected to increase state match expenses by \$43,402,700 and Total Funds expenses by \$195,491,800 in FY 2020. *Table 2* displays historical and forecasted member months across AHCCCS populations.

*FY 2020 Inflation Adjustments*

The Baseline assumes a 3.0% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2019. Inflation adjustments would increase AHCCCS state costs by \$73,641,600 and Total Funds costs by \$325,829,800 in FY 2020. These inflation adjustments include an increase of \$1,944,500 from the General Fund and \$11,562,600 Total Funds for Proposition 206

Table 2

JLBC Forecasted Member Months <sup>1/</sup>

<u>Population</u> <sup>2/</sup>	<u>June</u> <u>2018</u>	<u>June</u> <u>2019</u>	<u>June</u> <u>2020</u>	<u>'19-'20%</u> <u>Change</u>
Traditional	1,016,107	1,023,220	1,040,614	1.7%
Prop 204 Childless Adults	305,638	307,777	313,010	1.7
Other Proposition 204	182,069	183,343	186,460	1.7
Adult Expansion <sup>3/</sup>	76,207	76,740	78,045	1.7
KidsCare <sup>4/</sup>	29,733	39,822	26,206	(34.2)
CMDP	14,450	13,110	13,110	0.0
ALTCS - Elderly & Physically Disabled <sup>5/</sup>	29,734	30,626	31,147	1.7
Emergency Services	<u>110,661</u>	<u>111,436</u>	<u>113,330</u>	<u>1.7</u>
<b>Total Member Months</b>	<b>1,764,599</b>	<b>1,786,075</b>	<b>1,801,922</b>	<b>0.9%</b>

<sup>1/</sup> The figures represent June 1 estimates.

<sup>2/</sup> The integrated SMI population is included in the Traditional, Proposition 204, and Adult Expansion line items. (See the *Other Issues* section for enrollment and funding of the integrated SMI population.)

<sup>3/</sup> Parents and Childless Adults 100%-133% of the federal poverty level (FPL).

<sup>4/</sup> Pursuant to A.R.S. 36-2985, the Baseline assumes that enrollment in KidsCare is frozen on and after October 1, 2019 as a result of a decline in the federal match rate below 100%.

<sup>5/</sup> The ALTCS program funded in AHCCCS. In addition, approximately 33,000 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of December 1, 2018.

adjustments in the ALTCS program to provide half-year funding for rate increases to address the increase in the minimum wage from \$11.00/hour to \$12.00/hour effective January 1, 2020.

#### Health Insurer Fee Suspension

The Baseline includes a decrease of \$(26,717,900) in state funds and \$(120,383,400) in Total Fund savings for the suspension of the Affordable Care Act Health Insurer Fee in FY 2020. A federal continuing resolution (P.L. 115-120) imposed a one-time moratorium on the fee in CY 2019.

#### FY 2020 Federal Medicaid Match Rate Changes

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During SFY 2020, the FMAP rates will adjust as follows:

- Traditional Medicaid rate will increase to 69.97% (0.14% increase).
- Proposition 204 Childless Adult rate will decrease to 91.50% (0.79% decrease).
- Adult Expansion rate will decrease to 91.50% (2.0% decrease).

The rates represent a blend of one-fourth of the Federal Fiscal Year (FFY) 2019 rates and three-fourths of the FFY 2020 rates. The Baseline includes an increase of \$28,943,600 in state costs and a corresponding decrease

of \$(28,943,600) in federal costs for the above match changes.

#### FY 2020 CHIP Match Rate Changes

The Baseline includes an increase in state costs of \$18,198,600 in FY 2020 for match rate reductions associated with the Children's Health Insurance Program (CHIP) block grant. Through September 30, 2019, the federal government will pay 100% of program costs. Effective October 1, 2019, the match rate will drop to 90.52%, resulting in a blended state fiscal year 2020 rate of 92.89%.

AHCCCS uses the CHIP block grant to pay for 2 populations: the "Child Expansion" population, which consists of traditional Medicaid coverage for children ages 6-18 in families with incomes ranging from 100%-133% of the Federal Poverty Level (FPL), and "KidsCare" which provides CHIP coverage to children in families with incomes from 133%-200% FPL. As of December 1, 2018, there were 69,900 children enrolled in Child Expansion and 32,400 children enrolled in KidsCare.

A.R.S. § 36-2985 requires AHCCCS to freeze KidsCare enrollment if the federal match rate falls below 100%. As a result, the Baseline assumes an enrollment freeze effective October 1, 2019. The freeze is anticipated to reduce enrollment from 39,800 in June 2019 to 26,200 in June 2020. Of the \$18,198,600 for state cost increases associated with the CHIP match rate, \$6,013,200 is for children who continue to receive coverage after the freeze. KidsCare coverage would continue for children with no lapse in eligibility, as the freeze would only prohibit AHCCCS from accepting new applicants. (See the *KidsCare Services* line item for details on the costs of eliminating the KidsCare enrollment freeze.)

The remaining \$12,185,400 in state cost increases are associated with the lower CHIP match rate for the Child Expansion population. Since this population is mandatory under federal law, the KidsCare enrollment freeze would not apply to the Child Expansion.

#### General Fund Offsets

The total state cost increase from the FY 2019 base adjustment and annualizations, FY 2020 caseload growth, inflation, the Health Insurer Fee suspension, and federal match rate changes is an increase of \$88,831,200. The Baseline includes a decrease of \$(84,965,500) for General Fund offsets in FY 2020, resulting in a net General Fund change of \$3,865,700 compared to FY 2019. The changes in offsets, which generate General Fund savings, would be as follows:

- An increase of \$36,927,800 from the Prescription Drug Rebate Fund - State to reflect one-time balances associated with higher-than-budgeted rebate receipts from FY 2018 and FY 2019. This increase is one-time in FY 2020. *(See Other Issues section for more information.)*
- An additional increase of \$16,730,100 from the Prescription Drug Rebate Fund - State in FY 2020 to reflect an ongoing increase in receipt of drug rebates. *(See Other Issues section for more information.)*
- An increase of \$15,401,600 from the Hospital Assessment Fund in FY 2020 to continue to cover the physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- An increase of \$15,000,000 from the Tobacco Litigation Settlement Fund in FY 2020 to reflect higher-than-budgeted receipt of litigation monies in the FY 2019 budget. The increase offsets the state match costs of the Proposition 204 program.
- A decrease of \$(11,712,300) from tobacco tax revenues to reflect declining receipts, requiring an offsetting General Fund and Hospital Assessment increase.
- An increase of \$11,892,200 from County Funds, mostly for the Arizona Long Term Care System pursuant to A.R.S. § 11-292.
- An increase of \$725,900 in Political Subdivision monies associated with the Access to Professional Services Initiative (APSI). *(See Other Issues section for more information.)*
- An increase of \$200 from the Nursing Facility Provider Assessment.

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**Operating Budget**

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The Baseline includes \$91,485,300 and 1,023.2 FTE Positions in FY 2020 for the operating budget. These amounts consist of:

	<b>FY 2020</b>
General Fund	\$28,592,900
Children’s Health Insurance Program (CHIP) Fund	5,565,800
Prescription Drug Rebate Fund (PDRF) - State	660,900
Federal Medicaid Authority (FMA)	56,665,700

These amounts are unchanged from FY 2019.

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**Administration**

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**ADOA Data Center**

The Baseline includes \$19,325,800 in FY 2020 for the Arizona Department of Administration (ADOA) Data Center. This amount consists of:

General Fund	5,915,400
CHIP Fund	160,000
Federal Medicaid Authority	13,250,400

These amounts are unchanged from FY 2019.

This line item funds charges paid by AHCCCS to ADOA pursuant to an interagency service agreement through which ADOA provides mainframe computing services to AHCCCS, including storage of medical records for AHCCCS enrollees.

**DES Eligibility**

The Baseline includes \$88,874,500 and 885 FTE Positions in FY 2020 for DES Eligibility services. These amounts consist of:

General Fund	25,491,200
Federal Medicaid Authority	63,383,300

These amounts are unchanged from FY 2019.

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

**Proposition 204 - AHCCCS Administration**

The Baseline includes \$13,143,500 and 131 FTE Positions in FY 2020 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,205,800
PDRF - State	60,900
Federal Medicaid Authority	8,876,800

These amounts are unchanged from FY 2019.

Proposition 204 expanded AHCCCS eligibility. This line item contains funding for AHCCCS’ acute care and behavioral health service administration costs of the Proposition 204 program.

**Proposition 204 - DES Eligibility**

The Baseline includes \$44,358,700 and 300.1 FTE Positions in FY 2020 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,815,800
Budget Neutrality Compliance Fund (BNCF)	3,906,400
Federal Medicaid Authority	23,636,500

FY 2020 adjustments are as follows:

**Statutory Adjustments**

The Baseline includes a decrease of \$(150,200) from the General Fund and a corresponding increase of \$150,200 from the BNCF in FY 2020 to reflect an increase of county contributions in FY 2020 as required by A.R.S. § 11-292. (See Table 7 for contributions by county.)

*Background* – The BNCF is comprised of contributions from Arizona counties for administrative costs of the implementation of Proposition 204. Prior to the proposition, the counties funded and administered the health care program for some of the Proposition 204 population. This line item contains funding for eligibility costs in DES for the Proposition 204 program.

**Medicaid Services**

AHCCCS oversees acute care, behavioral health services, and long-term care services for Medicaid enrollees. *Chart 1* shows the income eligibility limits for each AHCCCS population in FY 2020. A description of program components can be found in the *Other Issues* section.

**Traditional Medicaid Services**

The Baseline includes \$5,470,440,200 in FY 2020 for Traditional Medicaid Services. This amount consists of:

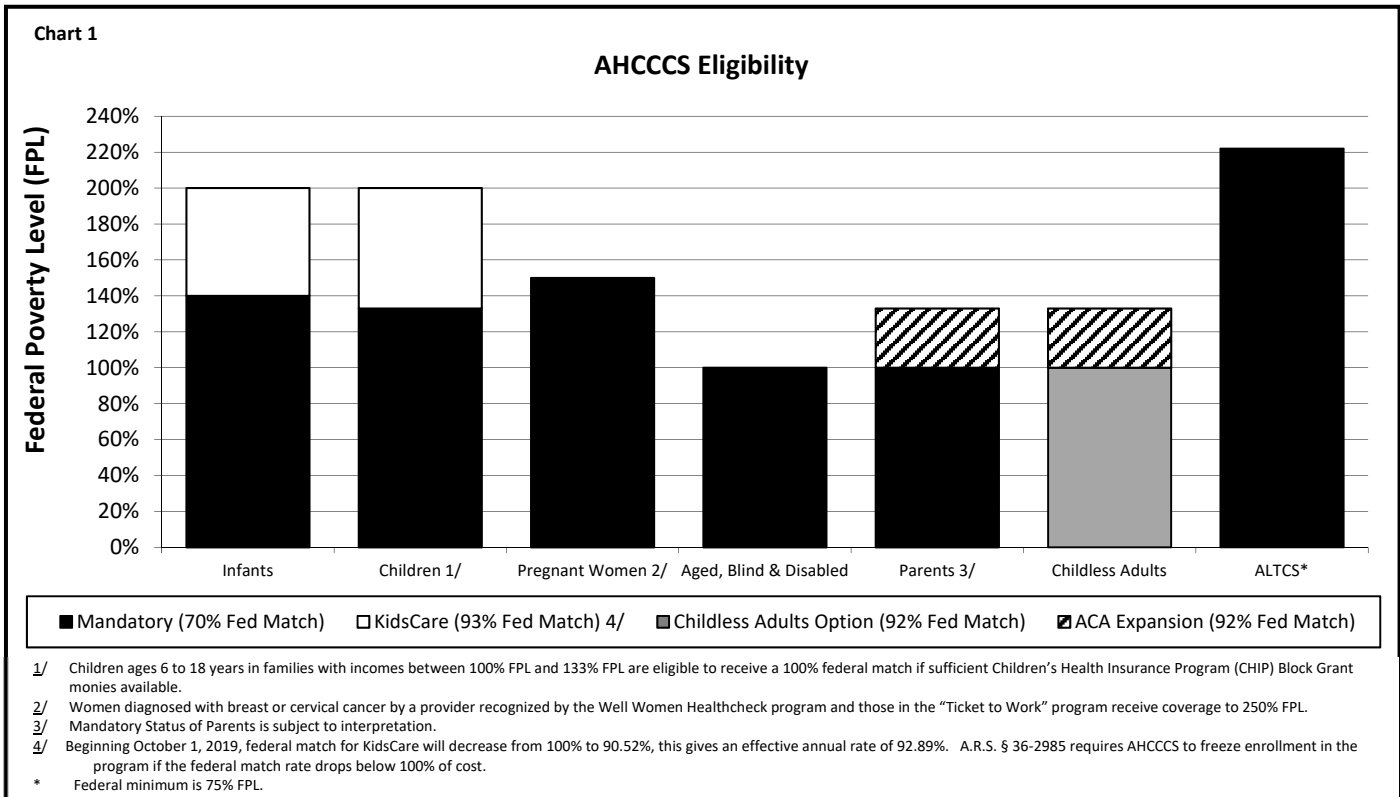
General Fund	1,195,857,800
County Funds	46,161,700
Political Subdivision Funds	10,297,700
PDRF - State	193,816,500
TTHCF - Medically Needy Account	61,752,600
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	3,389,720,900

FY 2020 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$123,136,600 in FY 2020 for formula adjustments. This amount consists of:

General Fund	13,888,300
County Funds	(351,200)



Political Subdivision Funds	37,000
PDRF - State	16,730,100
TTHCF - Medically Needy Account	(6,287,900)
PDRF - In Lieu of Federal Funds	58,553,100
Federal Medicaid Authority	40,567,200

These adjustments include:

- 1.7% enrollment growth.
- An increase in the federal match rate from 69.83% in SFY 2019 to 69.97% in SFY 2020.
- 3.0% capitation rate increase.
- One-time suspension of the Health Insurer Fee.
- Annualization of the shift of CRS Funding.
- \$(6,287,900) decrease from the TTHCF - Medically Needy Account and a corresponding General Fund increase.
- \$(351,200) decrease in the Maricopa County Acute Care contribution (County Funds) under A.R.S. § 11-292 with a corresponding General Fund increase.
- FY 2019 rebase due to lower than budgeted caseload growth in FY 2018 and FY 2019.

**PDRF One-Time Increase**

The Baseline includes an increase of \$36,927,800 from PDRF - State for additional rebate collections and a corresponding decrease of \$(36,927,800) from the General Fund in FY 2020. This reflects a one-time increase due to higher-than-budgeted rebates in FY 2018 and FY 2019. (See Other Issues section for more information.)

**Proposition 204 Services**

The Baseline includes \$4,054,746,300 in FY 2020 for Proposition 204 Services. This amount consists of:

General Fund	100,002,300
Hospital Assessment Fund	289,588,700
Political Subdivision Funds	2,564,700
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	16,216,300
TPTF - Proposition 204 Protection Account	34,054,300
Federal Medicaid Authority	3,510,320,000

FY 2020 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$101,349,700 in FY 2020 for formula adjustments. This amount consists of:

General Fund	(2,606,600)
Hospital Assessment Fund	7,985,500
Political Subdivision Funds	632,800
Tobacco Litigation Settlement Fund	15,000,000
TPTF - Emergency Health Services Account	(1,749,800)

TPTF - Proposition 204 Protection Account	(3,674,600)
Federal Medicaid Authority	85,762,400

These adjustments include:

- 1.7% enrollment growth.
- An increase in the federal match rate for the non-childless adult population from 69.83% to 69.97%.
- A decrease in the federal match rate for the childless adult population from 92.29% in SFY 2019 to 91.50% in SFY 2020.
- 3.0% capitation rate increase.
- One-time suspension of the Health Insurer Fee.
- FY 2019 rebase due to lower-than-budgeted caseload growth in FY 2018 and FY 2019.
- An increase of \$15,000,000 from Tobacco Settlement MSA due to an increase in the Annual Payment that partially offset the loss from the elimination of Strategic Contribution Payments.
- \$(3,674,600) decrease from the TPTF - Proposition 204 Protection Account due to lower-than-expected tobacco tax revenues and a corresponding increase of \$3,674,600 in state costs.
- \$(1,749,800) decrease from the Emergency Health Services Account due to lower-than-expected tobacco tax revenues and a corresponding increase of \$1,749,600 in state costs.

*Background* – The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population but are below 100% FPL (see Chart 1).

**Adult Expansion Services**

The Baseline includes \$515,435,200 in FY 2020 for Adult Expansion Services. This amount consists of:

General Fund	5,699,300
Hospital Assessment Fund	35,836,200
Political Subdivision Funds	179,900
Federal Medicaid Authority	473,719,800

FY 2020 adjustments are as follows:

**Formula Adjustments**

The Baseline includes a decrease of \$(50,239,800) in FY 2020 for formula adjustments. This amount consists of:

General Fund	(762,000)
Hospital Assessment Fund	7,416,100
Political Subdivision Funds	56,100
Federal Medicaid Authority	(56,950,000)



These adjustments include:

- 1.7% enrollment growth.
- A decrease in the federal match rate from 93.50% to 91.50%.
- 3.0% capitation rate increase.
- One-time suspension of the Health Insurer Fee.
- FY 2019 rebase due to lower-than-budgeted caseload growth in FY 2018 and FY 2019.

*Background* – Beginning on January 1, 2014, the Adult Expansion Services line item funds Medicaid services for adults from 100% to 133% FPL who are not eligible for another Medicaid program. The federal government paid 100% of the cost of this population in calendar years (CY) 2014 to 2016. The federal share will gradually decline to 90% by CY 2020.

Pursuant to A.R.S. § 36-2901.07 and Laws 2013, First Special Session, Chapter 10, coverage of this population is discontinued if any of the following occur: 1) the federal matching rate for adults in this category or childless adults falls below 80%; 2) the maximum amount that can be generated from the hospital assessment is insufficient to pay for the newly-eligible populations; or 3) the Federal ACA is repealed.

### **Comprehensive Medical and Dental Program**

The Baseline includes \$204,128,600 in FY 2020 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	61,167,100
Federal Medicaid Authority	142,961,500

FY 2020 adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes an increase of \$4,214,100 in FY 2020 for formula adjustments. This amount consists of:

General Fund	953,200
Federal Medicaid Authority	3,260,900

These adjustments include:

- 0% enrollment growth.
- An increase in the federal match rate from 69.83% to 69.97%.
- 3.0% capitation rate increase.
- FY 2019 rebase due to lower-than-budgeted caseload growth in FY 2018 and FY 2019.

*Background* – This line item provides coverage to CMDP eligible children. CMDP is the health plan responsible for providing health services for children in foster care. The Department of Child Safety (DCS) administers the acute care services of the population while AHCCCS administers the behavioral health services through contracts with Regional Behavioral Health Authorities (RHBAs). Of the CMDP line’s Baseline funding in FY 2020, an estimated 26.2% funds acute care and 73.8% funds behavioral health services.

### **KidsCare Services**

The Baseline includes \$84,574,100 in FY 2020 for KidsCare services. This amount consists of:

General Fund	6,013,200
CHIP Fund	78,560,900

FY 2020 adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes an increase of \$2,727,200 in FY 2020 for formula adjustments. This amount consists of:

General Fund	6,013,200
CHIP Fund	(3,286,000)

These adjustments include:

- FY 2019 base adjustment to reflect anticipated 33.7% enrollment growth above FY 2018 as the program reaches full participation.
- Enrollment decline from 39,800 in June of FY 2019 to 26,200 in June of FY 2020 due to a statutory enrollment freeze that would go into effect on October 1, 2019.
- 3.0% capitation rate growth.
- A decrease in the federal match rate from 100% in SFY 2019 to 92.89% in SFY 2020. Kids who remain in the program after the statutory enrollment freeze will be funded at this lower rate.

*Background* – The KidsCare program, also referred to as the Children’s Health Insurance Program (CHIP), provides health coverage to children in families with incomes between 133% and 200% FPL, above the levels required for the regular AHCCCS program. Families of KidsCare members are charged a monthly premium of \$10 to \$70, depending on level of family income and number of children enrolled in the program.

KidsCare is funded with the federal CHIP Block Grant and state matching dollars. The federal monies are deposited into the CHIP Fund, and the CHIP Fund is then

appropriated, along with the General Fund match, to fund KidsCare. Enrollment in the program was frozen in January 2010. Laws 2016, Chapter 112 required AHCCCS to lift the enrollment freeze. AHCCCS resumed enrollment in the program on September 1, 2016.

Enrollment Freeze

KidsCare is currently funded at a 100% federal match rate through September 30, 2019. A.R.S. § 36-2985, as amended by the FY 2018 Health Budget Reconciliation Bill (BRB) requires AHCCCS to freeze enrollment if the program’s federal match rate drops below 100% of costs. Federal legislation effectively decreased Arizona's match rate to 90.52% on October 1, 2019 and 78.93% on October 1, 2020. As a result, the Baseline assumes that KidsCare enrollment will be frozen effective October 1, 2019.

Table 3 displays the costs of an unlimited KidsCare program compared to the Baseline from FY 2020 to FY 2022. The JLBC Staff estimates the state General Fund costs associated with KidsCare would increase to \$7.3 million, or \$1.3 million above the KidsCare cost included in the FY 2020 Baseline.

In FY 2021, the Baseline includes \$8.8 million from the General Fund for the cost of the frozen KidsCare program. The cost increase is based on a drop in the federal CHIP match rate from 90.52% to 78.93% on October 1, 2020, which would be partly offset by savings from the enrollment freeze. With no freeze, the state match is projected to cost \$19.9 million in FY 2021. The cost is higher than the \$7.3 million "no freeze" cost in FY 2020 due to the change in the federal match rate. As a result, if the Legislature were to eliminate the enrollment freeze, the cost above the Baseline in FY 2021 would be \$11.1 million from the General Fund.

In FY 2022, the Baseline includes \$6.0 million from the General Fund for the cost of the frozen KidsCare program. The cost decrease from \$8.8 million in FY 2021 is based on enrollment declines associated with the freeze. With no freeze, the state match is projected to cost \$24.3 million in FY 2022. As a result, if the Legislature were to eliminate the enrollment freeze, the cost above the Baseline in FY 2022 would be \$18.3 million.

**ALTCs Services**

The Baseline includes \$1,725,889,300 in FY 2020 for ALTCs services. This amount consists of:

General Fund	222,242,300
County Funds	280,648,000
PDRF - State	7,578,400
PDRF - In Lieu of Federal Funds	36,422,000
Nursing Facility Provider Assessment Fund	32,989,600
Federal Medicaid Authority	1,146,009,000

FY 2020 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$108,569,400 in FY 2020 for formula adjustments. This amount consists of:

General Fund	21,574,900
County Funds	10,565,400
Nursing Facility Provider Assessment Fund	200
Federal Medicaid Authority	76,428,900

These adjustments include:

- 1.7% enrollment growth.
- An increase in the federal match rate from 69.83% to 69.97%.
- 3.0% capitation rate increase.
- One-time suspension of the Health Insurer Fee.

**Proposition 206 Rate Increase**

The Baseline includes an increase of \$11,562,600 in FY 2020 to fund provider rate increases for minimum wage provisions of Proposition 206. This amount consists of:

General Fund	1,944,500
County Funds	1,527,800
Federal Medicaid Authority	8,090,300

*Background* – ALTCs provides coverage for individuals up to 222% of the FPL, or \$27,000 per person. The federal government requires coverage of individuals up to 100%

<b>Table 3</b>						
<b>Cost of KidsCare Program with No Enrollment Freeze</b>						
	<b>FY 2020</b>		<b>FY 2021</b>		<b>FY 2022</b>	
	<u>State Match</u>	<u>Total Funds</u>	<u>State Match</u>	<u>Total Funds</u>	<u>State Match</u>	<u>Total Funds</u>
KidsCare Baseline	\$6,013,200	\$84,574,100	\$8,844,000	\$48,673,400	\$5,956,800	\$28,137,900
KidsCare No Freeze	<u>7,354,300</u>	<u>103,436,000</u>	<u>19,907,200</u>	<u>109,560,900</u>	<u>24,296,000</u>	<u>114,766,100</u>
<b>No Freeze Cost Above Baseline</b>	<b>\$1,341,100</b>	<b>\$18,861,900</b>	<b>\$11,063,200</b>	<b>\$60,887,500</b>	<b>\$18,339,200</b>	<b>\$86,628,200</b>

of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$9,105 per person. In addition to state funding, AHCCCS charges assessments on nursing facilities to receive matching Federal Funds that are used to make supplemental payments to facilities for covered expenditures. Clients contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 2019, AHCCCS estimates that client contributions will pay for 5.2% of the cost of care.

From October 1, 2012 to September 30, 2015, Laws 2012, Chapter 213 allowed AHCCCS to set the amount of and charge a provider assessment on health items and services provided to ALTCS enrollees by nursing facilities that are not paid for by Medicare. Laws 2015, Chapter 39 continues the assessment through September 30, 2023. The assessment ranges from \$1.80 to \$15.63 per day of patient care. Pursuant to A.R.S. § 36-2999.52, AHCCCS may not increase rates to a level that generates assessment revenues more than 3.5% of facilities' net patient revenues.

**Behavioral Health Services in Schools**

The Baseline includes \$9,990,000 in FY 2020 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	6,990,000

FY 2020 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$46,300 from Federal Medicaid Authority in FY 2020 for a change in the federal match rate.

*Background* – This line item funds behavioral health services for at or near public school campuses for students that are Medicaid-eligible. AHCCCS plans to use \$1,000,000 of this funding for an interagency service agreement with the Arizona Department of Education of administration of Mental Health First Aid training in public schools. The remaining \$9,000,000 will be allocated to behavior health providers contracted with AHCCCS health plans that work directly in schools.

**Non-Medicaid Behavioral Health Services**

**Non-Medicaid Seriously Mentally Ill Services**

The Baseline includes \$77,646,900 from the General Fund in FY 2020 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2019.

*Background* – This line item provides funding for Non-Medicaid SMI clients. The state had been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population.

In January 2014, an exit agreement from the litigation was signed by Arizona’s Governor, Maricopa County, and the plaintiffs in the case. The Maricopa County Superior Court approved the agreement in February 2014. The exit agreement requires the state to begin meeting requirements by June 2016 for providing assertive community treatment, supported housing, supported employment, crisis services, and family and peer support services to individuals with a serious mental illness. As of March 2018, AHCCCS continued to meet these requirements. *(Please see footnotes for more information on service targets established by the exit agreement and see the FY 2015 Appropriations Report for a history of the case.)*

**Supported Housing**

The Baseline includes \$5,324,800 from the General Fund in FY 2020 for Supported Housing. This amount is unchanged from FY 2019.

*Background* – This line item funds housing services that enable individuals to live in the community. These funds may serve Medicaid and 100% state funded recipients. Medicaid, however, does not provide a match for housing assistance.

**Crisis Services**

The Baseline includes \$16,391,300 in FY 2020 for Crisis Services. This amount consists of:

General Fund	14,141,100
Substance Abuse Services Fund	2,250,200

These amounts are unchanged from FY 2019.

*Background* – This line item provides funding for persons in need of emergency behavioral health assistance. These

services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services.

**Substance Use Disorder Services Fund Deposit**

The Baseline includes no funding in FY 2020 for the Substance Use Disorder Services Fund Deposit. This amount is unchanged from FY 2019.

*Background* – Laws 2018, 1<sup>st</sup> Special Session, Chapter 1 appropriated \$10,000,000 from the General Fund in FY 2018 for deposit in the Substance Use Disorder Services Fund, as created by the act. The Substance Use Disorders Services Fund is administered by AHCCCS. Monies in the fund are non-lapsing and shall be used for contracted substance use disorder services, with priority for individuals that are ineligible for Medicaid coverage.

AHCCCS plans to spend the entirety of the \$10,000,000 appropriation by the end of FY 2020. Thus far, AHCCCS has contracted with Regional Behavioral Health Authorities (RBHAs) and Tribal RBHAs to deliver services, such as doctor visits, lab tests, and methadone administration.

**Hospital Payments**

These line items represent supplemental payments made to hospitals and other providers separate from Medicaid service payments.

**Disproportionate Share Hospital Payments Overview**

The Disproportionate Share Hospital (DSH) program provides supplemental payments of federal and state dollars to hospitals that serve a large, or disproportionate, number of low-income patients. The total amount of eligible funding has historically been adjusted for annual changes in prices and the federal match rate.

*Reduction in Federal DSH Payments*

The federal Affordable Care Act included reductions in federal DSH payments by \$(500) million nationwide in FY 2014 and gradually increased the reductions to \$(5.6) billion by FY 2019. Subsequent federal legislation, though, has delayed and modified the reduction amounts. The Medicare and CHIP Reauthorization Act of 2015 (P.L. 114-10) had previously delayed the DSH cuts until FY 2018. The Bipartisan Budget Act of 2018 (P.L. 115-123) further delayed nationwide DSH payment reductions until FY 2020. DSH cuts of \$(4.0) billion are now scheduled to begin in FY 2020 and would increase to \$(8.0) billion by FY 2021 and each year thereafter.

**Table 4**  
**Disproportionate Share Hospital Payments**

<b>Eligible Funding <sup>1/</sup></b>	<b>FY 2019</b>	<b>FY 2020</b>
MIHS - CPE <sup>2/</sup>	\$97,304,100	\$97,304,100
ASH - CPE	28,474,900	28,474,900
Private Hospitals	884,800	884,800
DSH Voluntary Match <sup>3/</sup>	<u>38,220,300</u>	<u>40,980,200</u>
<b>Total Funding</b>	<b>\$164,884,100</b>	<b>\$167,644,000</b>
<b>General Fund</b>		
Retain FF of CPE (via MIHS) <sup>2/</sup>	\$ 63,725,700	\$ 63,930,000
Retain FF of CPE (via ASH)	<u>19,878,300</u>	<u>19,938,100</u>
Subtotal - General Fund	\$ 83,604,000	\$ 83,868,100
<b>Other Entities</b>		
State MIHS	\$ 4,202,300	\$ 4,202,300
Private Hospitals	<u>884,800</u>	<u>884,800</u>
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
<b>Total DSH Distributions</b>	<b>\$ 88,691,000</b>	<b>\$ 88,955,200</b>
<b>Voluntary Match</b>	<b>\$ 38,220,300</b>	<b>\$ 40,980,200</b>
<b>Total Distributions</b>	<b>\$ 126,911,400</b>	<b>\$ 129,935,400</b>

<sup>1/</sup> Amounts include state and federal match funding.  
<sup>2/</sup> The Baseline would continue to establish an MIHS DSH limit of \$113,818,500 in the FY 2020 Health BRB to maximize the DSH General Fund revenue deposit. As a result, the actual General Fund deposit from MIHS could reach a maximum of \$75,254,400 in FY 2019 and \$75,493,400 in FY 2020.  
<sup>3/</sup> The Baseline would continue a footnote that appropriates any payments in excess of \$40,980,200 for DSH Voluntary Payments in FY 2020.

The \$(4.0) billion and \$(8.0) billion reductions required by the Bipartisan Budget Act of 2018 represent reductions in federal DSH funding of (31.7)% in FY 2020 and (63.4)% in FY 2021, respectively. Arizona's estimated federal DSH allocation in FY 2020 is \$117.3 million without any cuts to the program. As a result, a proportionate (31.7)% reduction in Arizona's DSH allotment would generate a net loss of Federal Funds of \$(37.2) million in FY 2020.

Relative to the FY 2020 Baseline, if the \$(37.2) million proportionate reduction occurred, the current DSH methodology would allocate it as a \$(28.7) Federal Funds reduction to eliminate the availability of the DSH - Voluntary program in FY 2020 and \$(8.5) million to reduce the deposit of federal dollars in the General Fund for uncompensated care at Maricopa Integrated Health System (MIHS) (also called the Maricopa Medical Center).

Given that Congress has enacted multiple delays to the ACA's DSH payment reductions to states, the Baseline does not incorporate the \$(37.2) million federal funding loss in FY 2020. The Baseline instead assumes that Arizona's DSH allocation would be adjusted in FY 2020 according to the regular federal formula, as outlined below.

*Increase in Uncompensated Care Payments*

In FY 2020, the state's total DSH payments are estimated to increase by \$2,759,900, from \$164,884,100 in FY 2019 to \$167,644,000 in FY 2020 due to federal adjustments for inflation and the FMAP. Of the \$167,644,000 of eligible DSH funding in FY 2020, \$129,935,400 is distributed according to the allocations described below and listed in *Table 4*. The remaining \$37,708,600 of eligible funding represents existing expenditures used as part of the state match.

*Public Hospital Distributions*

Publicly-operated hospitals are required to document uncompensated care costs to the federal government through a Certified Public Expenditure (CPE) process. Those CPEs serve as the state match for the drawdown of Federal Funds. The publicly-operated hospitals are MIHS and DHS' Arizona State Hospital (ASH).

The Baseline includes an appropriation of \$4,202,300 of the federal draw down for distribution to MIHS. This distribution to MIHS is appropriated in the Disproportionate Share Payments line and is unchanged from FY 2019. The Baseline would continue the state's long-standing practice of depositing any Federal Funds drawn down from MIHS and ASH in excess of \$4,202,300 to the General Fund. The FY 2019 Health BRB established eligible funding of \$113,818,500 from MIHS and \$28,474,900 from ASH for FY 2018 and FY 2019, which would have resulted in net General Fund deposits of \$95,246,400 in FY 2018 and \$95,132,700 in FY 2019.

After the enactment of the budget, AHCCCS informed the JLBC Staff that the actual certifiable uncompensated care from MIHS in FY 2018 was \$97,304,100, or \$(16,514,400) below the eligible funding level assumed in the budget. As a result, the net General Fund deposit in FY 2018 was only \$83,704,600, or \$(11,541,900) less than the amount budgeted. The Baseline assumes no changes in MIHS' uncompensated care levels in FY 2019 and FY 2020, which would result in net General Fund deposits of \$83,604,000 in FY 2019 and \$83,868,100 in FY 2020.

To maximize the potential General Fund revenues associated with DSH funding, the Baseline would continue to establish an eligible DSH funding level for MIHS of \$113,818,500 in FY 2019 and FY 2020. If MIHS' uncompensated care increases again, the state would be able to deposit additional monies into the General Fund revenues of up to \$11,528,700 in FY 2019 and \$11,563,400 in FY 2020, respectively.

*Private Hospital Distribution*

The state appropriates General Fund dollars, which receive a drawdown of federal dollars, for DSH payments to private hospitals. The Baseline includes an \$884,800 total funds appropriation for this distribution in the Disproportionate Share Payments line, including \$265,300 from the General Fund and \$619,500 in Federal Medicaid Authority, and is unchanged from FY 2019.

*DSH Voluntary Match Distribution*

The state allows local governments, tribal governments and universities to provide the state match in the form of voluntary payments to draw down federal dollars. Any eligible DSH funding remaining after the previously mentioned allocations is made available for voluntary match payments. The Baseline includes a \$40,980,200 total funds appropriation for this distribution in the DSH Payments - Voluntary Match line, including \$12,285,900 of local voluntary payments and \$28,694,300 in federal expenditure authority. The Baseline continues a prior year footnote that appropriates any additional payments in excess of \$40,980,200.

**Disproportionate Share Payments**

The Baseline includes \$5,087,100 in FY 2020 for Disproportionate Share Payments. This amount consists of:

General Fund	265,300
Federal Medicaid Authority	4,821,800

FY 2020 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$1,800 from Federal Medicaid Authority and a corresponding decrease of \$(1,800) from the General Fund in FY 2020 due to a change in the federal match rate.

Of the \$5,087,100 of total funds appropriated by the budget in the Disproportionate Share Payments line, \$884,800 represents distributions to private hospitals including \$265,300 from the General Fund and \$619,500 in federal expenditure authority. In FY 2018, there were 31 private hospitals that received DSH payments. The remaining \$4,202,300 represents federal matching funds that the state appropriates to MIHS.

**DSH Payments - Voluntary Match**

The Baseline includes \$40,980,200 in FY 2020 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	12,285,900
Federal Medicaid Authority	28,694,300

FY 2020 adjustments are as follows:

**Increased Funding**

The Baseline includes an increase of \$2,759,900 in FY 2020 for an increase in Arizona's allocation of federal DSH funding. This amount consists of:

Political Subdivision Funds	747,200
Federal Medicaid Authority	2,012,700

Although the FY 2019 General Appropriation Act displays a \$21,705,900 appropriation for FY 2019, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed that JLBC that the actual DSH - Voluntary monies received for FY 2018 will be \$36,213,000 due to a lower-than-budgeted level of uncompensated care at MIHS of \$97,304,100. The FY 2019 appropriation has been adjusted to \$38,220,300, or an increase of \$16,514,400, to reflect the lower level of uncompensated care at MIHS.

This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Baseline would continue provisions from the FY 2019 Health BRB that gives priority to eligible rural hospitals when allocating voluntary match DSH payments and continues to permit AHCCCS to include MIHS in allocations of voluntary match DSH payments if MIHS' CPE and matching Federal Funds exceed \$113,818,500 in FY 2019. In FY 2018, there were 8 hospitals that received voluntary match DSH payments.

**Graduate Medical Education**

The Baseline includes \$293,607,800 in FY 2020 for Graduate Medical Education (GME) expenditures. This amount consists of:

Political Subdivision Funds	88,581,500
Federal Medicaid Authority	205,026,300

FY 2020 adjustments are as follows:

**Decreased Funding**

The Baseline includes a decrease of \$(82,165,600) in FY 2020 for a reduction in GME payments. This amount consists of:

Political Subdivision Funds	(25,640,800)
Federal Medicaid Authority	(56,524,800)

Although the FY 2019 General Appropriation Act displays a \$274,684,900 appropriation for FY 2019, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that it expects to expend \$375,773,400 in total GME payments in FY 2019, or \$101,088,500 more than appropriated in the FY 2019 budget.

The FY 2019 appropriation has been adjusted to the \$375,773,400 level. Of that amount, \$82,165,600 represents late payments for medical education costs incurred in calendar year 2017. The Baseline decrease in FY 2020 results from removing this delay in payments.

*Background* – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. While AHCCCS no longer provides any General Fund monies to this program, A.R.S. § 36-2903.01 allows local, county, and tribal governments, along with public universities to provide state match for GME, and entities may designate the recipients of such funds. In FY 2018, 15 hospitals received a total of \$272,269,500 for Graduate Medical Education.

**Rural Hospitals**

The Baseline includes \$28,612,400 in FY 2020 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,578,000
Federal Medicaid Authority	20,034,400

FY 2020 adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$60,000 from Federal Medicaid Authority and a corresponding decrease of \$(60,000) from the General Fund in FY 2020 due to a change in the federal match.

*Background* – This line item includes \$12,158,100 for the Rural Hospital Reimbursement program, which increases inpatient reimbursement rates for qualifying rural hospitals. The remaining \$16,454,300 is for the CAH program, which provides increased reimbursement to small rural hospitals that are federally designated as CAHs. Funding is distributed according to a hospital's share of the cost in serving Medicaid enrollees during the prior year. In FY 2018, 20 hospitals qualified for funding from Rural Hospital Reimbursement and 10 from CAH.

### **Safety Net Care Pool**

The Baseline includes no funding in FY 2020 for the Safety Net Care Pool (SNCP) program. This amount is unchanged from FY 2019.

*Background* – The SNCP program funds unreimbursed costs incurred by hospitals in caring for uninsured and AHCCCS recipients. Local governments or public universities provide the state match, and the voluntary contributions receive an approximate 2:1 match from the federal government.

In April 2012, AHCCCS received federal approval to establish the SNCP program. While this program was originally expected to end on December 31, 2013, the FY 2014 Health and Welfare BRB allowed Phoenix Children’s Hospital (PCH) to continue to participate in the SNCP program through December 31, 2017. The FY 2018 Health BRB further extends the date PCH may participate in the program to December 31, 2020. The federal government, however, ended funding for the program after December 31, 2017. The Baseline continues a prior year footnote that appropriates any additional payments in FY 2020.

### **Targeted Investments Program**

The Baseline includes \$90,000,000 in FY 2020 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	28,062,400
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	61,937,600

FY 2020 adjustments are as follows:

#### **Increased Funding**

The Baseline includes an increase of \$20,000,000 in FY 2020 to reflect resources authorized by the federal government for the Targeted Investments Program. This amount consists of:

DSRIP Fund	6,289,300
Federal Medicaid Authority	13,710,700

*Background* – In January 2017, the Centers for Medicare and Medicaid Services (CMS) approved AHCCCS’ request to create a Targeted Investments Program. AHCCCS began using the program in FY 2018 to make incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services. CMS has authorized up to \$300 million in total funds for the program from FY 2018 through FY 2022. The state portion of the program’s cost is funded from certified public expenditures for existing state-funded programs

and voluntary contributions from local governments and public universities.

### **Other Issues**

This section includes information on the following topics:

- FY 2019 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- Prescription Drug Rebate Fund
- Waiver
- Affordable Care Act Litigation
- SMI Funding
- Access to Professional Services Initiative
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

### **FY 2019 Adjustments**

The Baseline includes an ex-appropriation of \$(28,564,900) from the General Fund in FY 2019, primarily for lower than budgeted caseload growth. While the enacted FY 2019 budget assumed that base General Fund enrollment (all AHCCCS populations excluding Proposition 204 Childless Adults, Adult Expansion, and KidsCare) would decline by (3.4)% in June 2018 compared with June 2017, the actual enrollment decline was (4.9)%. The Baseline also lowers the FY 2019 base enrollment growth rate to 0.7%, lower than the 1.0% assumption in the budget.

### **Statutory Changes**

The Baseline would make the following statutory changes:

#### *Rates and Services*

- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations by 50% and continues to impose a 5.88% reduction on funding for all managed care organizations administrative funding levels.

#### *Counties*

- As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, set the County Acute Care contribution at \$46,161,700. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 238.

- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2020 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
- As session law, set the FY 2020 county Arizona Long Term Care System (ALTCS) contribution at \$280,648,000.

**Hospitals**

- As session law, continue to establish the FY 2020 disproportionate share (DSH) distributions to the Maricopa Special Health Care District (MIHS), the Arizona State Hospital, private qualifying DSH hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution at \$113,818,500 in FY 2020.
- As session law, continue to give priority to rural hospitals in the Pool 5 distribution (the DSH Voluntary program), and allow MIHS to be eligible for Pool 5 allocations. Permit local jurisdictions to provide additional local match for Pool 5 distributions.

**Available Funding**

- As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

**Reports**

- As permanent law, continue to require AHCCCS and DHS to submit a joint report to the Legislature and the Governor by January 2 annually on hospital costs and charges. This provision has been enacted as session law since FY 2014.
- As permanent law, continue to require AHCCCS to report to JLBC on or before January 2 annually on the availability of inpatient psychiatric treatment as opposed to "psychiatric boarding" in emergency rooms for children and adults enrolled in Arizona's Regional Behavioral Health Authorities. This provision has been enacted as session law since FY 2017.
- The Baseline discontinues a long-standing report associated with AHCCCS' potential recoveries of erroneous Medicare payments. There are no current waivers permitting state Medicaid programs to make these recoveries.

**Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, statutory caseload and policy changes are projected to increase AHCCCS's General Fund spending by \$200.8 million in FY 2021 above FY 2020 and by \$114.7 million in FY 2022 above FY 2021. These estimates are based on:

- Overall enrollment growth of 1.7% in FY 2021 and FY 2022.

- Capitation rate growth of 3.0% in FY 2021 and FY 2022.
- A decrease in the regular federal match rate (from 69.97% in SFY 2020 to 69.93% in SFY 2021 and 69.85% SFY 2022).
- A decrease in the match rates for Proposition 204 Childless Adults from 91.5% in SFY 2020 to 90.0% in SFY 2021 and each year thereafter.
- A decrease in the federal match rates for KidsCare and Child Expansion populations from 92.89% in FY 2020 to 81.82% in SFY 2021 and 78.89% in SFY 2022.
- Restoration of the ACA Health Insurer Fee of \$26.7 million in FY 2021 and FY 2022.

**Prescription Drug Rebate Fund**

At the beginning of FY 2019, AHCCCS reported a one-time cash balance of \$102.7 million in the Prescription Drug Rebate Fund (PDRF) - State due to higher-than forecasted rebates from prior years. The Baseline increases the ongoing PDRF - State appropriation from \$148.5 million to \$165.2 million in FY 2020. The \$16.7 million increase allows a corresponding General Fund decrease of \$(16.7) million. At the level of \$165.2 million in ongoing spending, the fund would be structurally balanced.

In addition, the Baseline includes a one-time increase of \$36.9 million to reflect the availability of higher-than-budgeted collections from FY 2018 and FY 2019. The \$36.9 million would be backfilled with General Fund monies in FY 2021 and beyond.

	<b>FY 2019</b>	<b>FY 2020</b>
<b>Revenues</b>		
Beginning Balance	\$ 102,679,500	\$ 60,896,600
Rebate Collections	<u>159,275,900</u>	<u>165,188,900</u>
<b>Total Revenues</b>	<b>\$261,955,400</b>	<b>\$226,085,500</b>
<b>Budgeted Disbursements</b>		
Operating Budget and Administration	\$ 721,800	\$ 721,800
Proposition 206 Network Study	0	0
Traditional Services	140,158,600	156,888,700
ALTCS Services	<u>7,578,400</u>	<u>7,578,400</u>
<i>Ongoing Subtotal</i>	<i>\$148,458,800</i>	<i>165,188,900</i>
<i>Traditional Services One-Time</i>	<i>0</i>	<i>36,927,800</i>
<b>Total Disbursements</b>	<b>\$148,458,800</b>	<b>\$202,116,700</b>
<b>General Fund Transfer <sup>1/</sup></b>	<b>\$ 52,600,000</b>	<b>\$ 0</b>
<b>Projected Ending Balance</b>	<b>\$ 60,896,600</b>	<b>\$ 23,968,800</b>

<sup>1/</sup> As enacted by Laws 2018, Chapter 276.



Under the Baseline projections of ongoing fund revenues and disbursements, the PDRF - State balance is estimated to total \$24.0 million at the end of FY 2020 (see Table 5).

### Waiver

Laws 2015, Chapter 7 requires AHCCCS to reapply by March 30 of each year to implement a lifetime limit of 5 years for enrollment of able-bodied adults and a requirement for able-bodied adults to work, actively seek work, or participate in a job training program. The federal government has not previously approved Arizona's waiver application for these provisions. Laws 2018, Chapter 201 revises AHCCCS' required annual waiver submission to exempt American Indians enrolled for services through the Indian Health Service or an Urban Indian Health program from such requirements.

On December 19, 2017 AHCCCS submitted a waiver amendment to implement a work requirement for able-bodied adults, with exemptions for the following populations:

- Individuals age 55 or older
- American Indians
- Former Arizona foster youth up to age 26
- Women for 90 days post-pregnancy
- Persons with a Serious Mental Illness
- Individuals receiving private or public disability benefits
- Full-time high school students older than age 18
- Full-time college or graduate students
- Victims of domestic violence
- Individuals who are homeless
- Individuals directly impacted by a natural disaster or death of someone in the same household
- Caregivers for a foster child less than 13 years old
- Caregivers for an ALTCS member
- Individuals who are medically frail

Able-bodied adults that do not receive an exemption would be required to engage in at least 20 hours of employment, school, or enrolled in an approved employment support and development program. Employment support and development programs could include job training, English as a second language courses, parenting education, healthy living classes, health insurance competency, disease management education or, in some cases, community service. Failure to comply for 6 months or more would result in termination of AHCCCS coverage, but individuals could re-enroll once they have demonstrated 30 consecutive days of compliance.

AHCCCS also reapplied for the 5-year time limit on coverage and has requested additional flexibility to limit non-emergency medical transportation, prior quarter coverage, prescription drug coverage, federally-qualified health center reimbursement, fee-for-service reporting requirements, and renewal of previously approved federal waivers.

As of this writing, AHCCCS has not received federal approval of their December 2017 waiver request.

### Affordable Care Act Litigation

A recent federal court ruling has the potential to have a significant impact on the federal Affordable Care Act (ACA). Starting in 2014, this legislation established an "individual mandate" that requires individuals to purchase health insurance satisfying minimum coverage requirements specified in federal law. Through Tax Year (TY) 2018, individuals that are not in compliance with the mandate are subject to the "Shared Responsibility Payment," which consists of a tax of up to 2.5% of household income. In December 2017, the federal Tax Cuts and Jobs Act (TCJA) established a shared responsibility amount of \$0, effective TY 2019. The individual mandate was not repealed, but now there is no penalty for non-compliance.

On December 14, 2018, a Federal District Court ruled in *Texas v. Azar* that with a \$0 Shared Responsibility Payment established in TCJA, the ACA's individual mandate is unconstitutional and that, by extension, the entirety of the ACA is unconstitutional. The case is currently on appeal. The appeal process is expected to take a considerable amount of time.

If upheld, the *Texas v. Azar* ruling would eliminate several components of the AHCCCS program. Pursuant to Laws 2013, First Special Session, Chapter 10, A.R.S. § 36-2901.07, and A.R.S. § 36-2901.08, AHCCCS is required to discontinue Medicaid eligibility for the Adult Expansion population (adults with incomes from 100% to 133% FPL) and eliminate the Hospital Assessment if either the ACA is repealed or the federal match rate for either the Adult Expansion or Proposition 204 Childless Adults falls below 80%. Coverage would continue for the Proposition 204 population from 0%-100% FPL and for children age 6-18 from 100%-133% FPL. Other major AHCCCS impacts include elimination of authority to collect most prescription drug rebates and elimination of the ACA health insurer fee.

In addition to impacts on AHCCCS, the overturning of the ACA would eliminate coverage on the ACA exchanges and

associated federal subsidies, which covered 165,800 enrollees in Arizona in 2018.

The ACA has also been the subject of prior federal litigation, including:

- *National Federation of Independent Businesses v. Sebelius* (2012). The United States Supreme Court held that the ACA's individual mandate was constitutional, but that ACA's Medicaid expansion was optional for states.
- *Burwell v. Hobby Lobby* (2014): The United States Supreme Court ruled that the ACA's mandate that employers cover contraceptives for female employees cannot be applied to closely-held corporations with religious objections to the rule.
- *King v. Burwell* (2015): The United States Supreme Court held that the federal Department of Health and Human Services (HHS) had legal authority to issue premium tax credits on federally-administered ACA exchanges.
- *U.S. House of Representatives v. Burwell* (2016) A United States District Court ruled that HHS did not receive an appropriation to finance ACA's cost-sharing subsidies for certain low-income individuals receiving coverage through the ACA exchanges. The case was later settled out of court.

**SMI Funding**

Table 6 shows total Medicaid funding in FY 2020 for the integrated SMI population at \$1.0 billion for 42,079 recipients. This amount includes all funding for acute care and behavioral health services. State and federal funding for this population is located in the Traditional, Proposition 204, and Adult Expansion line items.

**Table 6**

**FY 2020 Budgeted Medicaid Funding for Integrated SMI**

	<u>State Match</u>	<u>Federal Match</u>	<u>Total Funds</u>	<u>Enrollees</u>
Traditional	\$157,524,400	\$367,320,700	\$ 524,845,100	21,139
Proposition 204	83,762,700	412,870,500	496,633,200	19,820
Adult Expansion	<u>2,396,200</u>	<u>25,794,800</u>	<u>28,191,000</u>	<u>1,120</u>
<b>Total <sup>1/</sup></b>	<b>\$243,683,300</b>	<b>\$805,986,000</b>	<b>\$1,049,669,300</b>	<b>42,079</b>

<sup>1/</sup> Estimates reflect Medicaid capitation spending for acute care and behavioral health services for the SMI population. They do not include any services funded by non-Medicaid state funds, federal grant funds, or county funds.

**Access to Professional Services Initiative**

The Access to Professional Services Initiative (APSI) program funds a 40% rate increase for AHCCCS services rendered by select providers at qualifying hospitals.

AHCCCS allocates the rate increases to physicians, physician assistants, nurse practitioners, psychologists and other select providers. To qualify for added reimbursement, providers must be affiliated with one of the following types of hospitals:

- GME hospital operated by a special health care district.
- GME hospital that provides 30% or more of services to AHCCCS members and is operated by a university.
- Children's hospital or hospital unit with at least 100 pediatric beds.

The FY 2019 budget included \$12.3 million from Political Subdivision Funds and \$51.2 million Total Funds for APSI in FY 2019. The Baseline includes an increase of \$725,900 in Political Subdivision Funds and \$3.4 million Total Funds in FY 2020 based on anticipated increases in utilization of the program. Funding for APSI is included in the line items for Traditional Services, Proposition 204 Services, and Adult Expansion Services. AHCCCS reports that 8 hospitals elected to participate in the program in FY 2018.

**County Contributions**

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in Table 7. The counties' single largest contribution is the ALTCS program. Pursuant to A.R.S. § 11-292, the state and the counties share in the growth of the ALTCS program, as defined by the following formula:

1. The growth is split 50% to the state, 50% to the counties.
2. The counties' portion is allocated among the counties based on their FY 2018 ALTCS utilization.
3. Each county's contribution is then limited to 90¢ per \$100 of net assessed property value. In FY 2020, this provision provides 4 counties with a total of \$10,960,100 in relief.
4. In counties with a tribal land population of at least 20%, the contribution is limited by an alternative formula specified in statute. In FY 2020, this provision provides 3 counties with a total of \$14,464,300 in relief.
5. If any county would still pay more under the above provisions than under the previous statutory percentages, that county's contribution is limited by a further alternative formula specified in statute. In FY 2020 no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita (\$42.17 in FY 2020). In FY 2020 this provision provides 6 counties with a total of \$15,959,800 in relief.

Table 7

## County Contributions

County	FY 2019				FY 2020			
	BNCF	Acute	DUC	ALTCS	BNCF	Acute	DUC	ALTCS
Apache	\$123,800	\$268,800	\$0	\$644,500	\$128,800	\$268,800	\$0	\$686,000
Cochise	230,900	2,214,800	0	5,288,900	240,200	2,214,800	0	4,950,800
Coconino	227,800	742,900	0	1,935,200	236,900	742,900	0	2,059,600
Gila	93,600	1,413,200	0	2,239,000	97,300	1,413,200	0	2,339,600
Graham	66,500	536,200	0	1,578,400	69,200	536,200	0	1,629,700
Greenlee	17,100	190,700	0	49,000	17,800	190,700	0	4,500
La Paz	35,400	212,100	0	599,500	36,800	212,100	0	794,500
Maricopa	0	18,482,600	0	170,486,100	0	18,131,400	0	179,759,300
Mohave	266,000	1,237,700	0	8,479,400	276,500	1,237,700	0	8,932,900
Navajo	174,300	310,800	0	2,668,000	181,300	310,800	0	2,839,500
Pima	1,583,900	14,951,800	0	41,749,300	1,647,200	14,951,800	0	43,691,300
Pinal	309,900	2,715,600	0	13,853,200	322,300	2,715,600	0	13,298,500
Santa Cruz	73,200	482,800	0	2,084,400	76,200	482,800	0	2,193,200
Yavapai	292,800	1,427,800	0	8,334,500	304,500	1,427,800	0	8,208,000
Yuma	261,000	1,325,100	0	8,565,400	271,400	1,325,100	0	9,260,600
<b>Subtotal</b>	<b>\$3,756,200</b>	<b>\$46,512,900</b>	<b>\$0</b>	<b>\$268,554,800</b>	<b>\$3,906,400</b>	<b>\$46,161,700</b>	<b>\$0</b>	<b>\$280,648,000</b>
<b>Total</b>				<b>\$318,823,900</b>				<b>\$330,716,100</b>

In FY 2020, provisions 3 through 6 of the ALTCS formula result in the state providing a total of \$41,384,200 in relief to 9 counties.

#### Program Components

Traditional Medicaid, Proposition 204, Adult Expansion, KidsCare, ALTCS, and CMDP services include the following costs:

##### Capitation

The majority of AHCCCS payments are made through monthly capitated payments. This follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate for each member. In FY 2020, the average capitation rate for acute care, behavioral health services, and long term care is expected to be approximately \$485 per member per month (or \$5,824 annually). Of that amount, an average of \$107 is from state match and \$379 from Federal Medicaid Authority.

##### Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs. The health plan is responsible for paying all of a member's costs until an annual deductible has been met.

##### Fee-For-Service

Rather than using Capitation, Fee-For-Service payments are made for 3 programs: 1) federally-mandated services for Native Americans living on reservations; 2) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan; and 3) federally-

mandated emergency services for unauthorized and qualified immigrants.

##### Medicare Premiums

AHCCCS provides funding for the purchase of Medicare Part B (supplemental medical insurance) and Part A (hospital insurance). Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, this includes the cost of premiums for certain disabled workers and low-income Qualified Medicare Beneficiaries.

##### Clawback

AHCCCS is not required to pay for prescription drug costs for members who are eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on 75.0% of the estimated drug costs.

#### Tobacco Master Settlement Agreement

The Baseline requires AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2020 to assist in the enforcement of a multi-year settlement reached between tobacco companies and the state over the Master Settlement Agreement (MSA). This transfer amount consists of:

- Up to \$1,200,000 to the Attorney General for costs associated with tobacco settlement litigation. This amount is unchanged from FY 2019.
- \$836,000 to the Department of Revenue to fund 6 positions that will perform luxury tax enforcement and audit duties. This amount represents an increase of \$400,000 compared to FY 2019 to reflect actual

transfer amounts made by AHCCCS to DOR in FY 2018.

This adjustment does not include the \$816,000 appropriation (\$84,400 General Fund and \$731,600 Consumer Protection-Consumer Fraud Revolving Fund) to the Attorney General for costs associated with tobacco settlement litigation. *(See the Attorney General - Department of Law section for more information.)*

*Background* – In 1998, the major tobacco companies and 46 states reached a settlement in which the signatory tobacco companies would make an annual payment to compensate the states for Medicaid costs associated with tobacco use. Currently, Arizona receives an annual payment that is distributed to states that diligently enforce the provisions and collection of tobacco tax laws.

In CY 2013, an arbitration panel approved an amended settlement between participating manufacturers and 19 states, including Arizona, to resolve issues relating to the tobacco tax enforcement. CY 2015 was the first year tobacco tax collections came under diligent enforcement scrutiny under the provisions of the amended settlement. The monies provided in the budget allow DOR to comply with the terms of the amended agreement through enhanced auditing capabilities and an automated accounting system.

#### ***Tobacco Tax Allocations***

The Baseline projects AHCCCS and DHS will receive \$139.6 million in transfers of tobacco tax collections in FY 2019. This amount represents a decrease of \$(8.9) million (6.0%) from the FY 2019 budgeted amount. *Table 8* summarizes tobacco tax transfers and allocations to the agencies.

Table 8

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

	<u>FY 2018</u>	<u>FY 2019</u>
<b>Medically Needy Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Tax and Health Care Fund	45,599,100	42,071,300
Transfer In - Tobacco Products Tax Fund	24,553,300	22,707,500
<b>Total Funds Available</b>	<b>\$ 70,152,400</b>	<b>\$ 64,778,800</b>
<u>Allocations</u>		
<u>AHCCCS</u>		
AHCCCS State Match Appropriation	\$ 69,486,100	\$ 68,040,500
Total AHCCCS Allocations	\$ 69,486,100	\$ 68,040,500
<u>DHS</u>		
Folic Acid	\$ 380,700	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	285,600	300,000
Administrative Adjustments	0	0
Total DHS Allocations	666,300	700,000
<b>Balance Forward</b>	<b>\$ 0</b>	<b>\$ (3,961,700) *</b>
<b>AHCCCS Proposition 204 Protection Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	37,016,700	35,322,700
<b>Total Funds Available</b>	<b>\$ 37,016,700</b>	<b>\$ 35,322,700</b>
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 37,016,700	\$ 37,728,900
Administrative Adjustments	0	0
<b>Balance Forward</b>	<b>\$ 0</b>	<b>\$ (2,406,200) *</b>
<b>AHCCCS Emergency Health Services Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	17,627,300	16,820,400
<b>Total Funds Available</b>	<b>\$ 17,627,300</b>	<b>\$ 16,820,400</b>
<u>Allocations</u>		
AHCCCS State Match Appropriation	17,627,300	17,966,100
Administrative Adjustments	0	0
<b>Balance Forward <sup>1/</sup></b>	<b>\$ 0</b>	<b>\$ (1,145,700) *</b>
<b>DHS Health Education Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 5,367,700	\$ 4,281,400
Transfer In - Tobacco Tax and Health Care Fund	16,197,100	13,823,400
Transfer In - Tobacco Products Tax Fund	1,773,200	1,682,000
<b>Total Funds Available</b>	<b>\$ 23,338,000</b>	<b>\$ 19,786,800</b>
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 17,343,200	\$ 17,343,200
Leading Causes of Death - Prevention and Detection	1,713,400	1,713,400
<b>Balance Forward</b>	<b>\$ 4,281,400</b>	<b>\$ 730,200</b>
<b>Health Research Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 10,416,400	\$ 9,155,800
Transfer In - Tobacco Tax and Health Care Fund	3,278,700	3,005,000
Transfer In - Tobacco Products Tax Fund	4,588,000	4,205,100
<b>Total Funds Available</b>	<b>\$ 18,283,100</b>	<b>\$ 16,365,900</b>
<u>Allocations</u>		
Biomedical Research Support <sup>2/</sup>	\$ 2,000,000	\$ 2,000,000
Alzheimer's Disease Research <sup>3/</sup>	2,000,000	3,000,000
Biomedical Research Commission <sup>4/</sup>	5,127,300	9,247,300
Administrative Adjustments	0	0
<b>Balance Forward</b>	<b>\$ 9,155,800</b>	<b>\$ 2,118,600</b>

<sup>1/</sup> Any unencumbered funds in Emergency Health Services Account are transferred to Proposition 204 Protection Account at the end of each year.

<sup>2/</sup> Laws 2014, Chapter 18 appropriates \$2,000,000 from the Health Research Account to DHS annually from FY 2015 to FY 2019 to distribute to a nonprofit medical research institute headquartered in Arizona. DHS distributes this to the Translational Genomics Research Institute (TGen).

<sup>3/</sup> Laws 2017, Chapter 305 appropriates \$2,000,000 from the Health Research Account in FY 2018, which includes a one-time funding increase of \$1,000,000 for Alzheimer's disease research. Laws 2018, Chapter 276 continues the one-time funding from FY 2018 and provides an additional one-time increase of \$1,000,000, for a total funding level of \$3,000,000 in FY 2019.

<sup>4/</sup> Laws 2017, Chapter 136 repealed the Biomedical Research Commission. DHS reports that monies in the Health Research Account will continue to be spent on initiatives previously reviewed by the commission in FY 2018 and FY 2019, including research grants, research education, biospecimen locator, and public cord blood.

\* Actual ending balance will not be negative.

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
<b>AHCCCS Restitution Fund (HCA2586/A.R.S. § 36-2903)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Restitution monies.		
<b>Purpose of Fund:</b> To track the use of restitution monies received from fraud. The FY 2019 General Appropriation Act requires that \$5,900,000 of the balance of the fund be transferred to the General Fund on or before June 30, 2019.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,921,500	0
<b>Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> County contributions.		
<b>Purpose of Fund:</b> To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
<b>Funds Expended</b>	4,251,300	3,756,200
<b>Year-End Fund Balance</b>	304,700	0
<b>Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare. General Fund monies are used to leverage federal monies for KidsCare and are not included in the reported CHIP Fund expenditures.		
<b>Purpose of Fund:</b> To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the KidsCare program has been set at 200% of the Federal Poverty Level (FPL), which is approximately \$50,200 for a family of 4. Laws 2016, Chapter 112 reopened enrollment in KidsCare, which had been frozen since 2010. KidsCare enrollees are eligible for 100% Federal Financial Participation through FFY 2019, subject to availability of federal appropriations for CHIP.		
<b>Funds Expended</b>	60,114,000	87,572,700
<b>Year-End Fund Balance</b>	3,506,500	0
<b>County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/A.R.S. § 36-2912)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Statutorily prescribed county contributions.		
<b>Purpose of Fund:</b> For the provision of acute medical and long term care services to Arizona Health Care Cost Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid dollars. County Funds received by AHCCCS to provide behavioral health services to persons with a serious mental illness are accounted for separately in the IGA for County Behavioral Health Services Fund.		
<b>Funds Expended</b>	315,700,800	315,067,700
<b>Year-End Fund Balance</b>	0	0
<b>Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match.		
<b>Purpose of Fund:</b> To fund incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services through the Targeted Investments Program (TI Program). The projects will be funded with existing state matching monies and intergovernmental transfers (IGTs) from counties and universities. Money in the fund will only include state matching monies from IGTs and certified public expenditures for the TI Program.		
<b>Funds Expended</b>	6,149,500	21,773,100
<b>Year-End Fund Balance</b>	12,440,000	12,440,000
<b>Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private donations.		
<b>Purpose of Fund:</b> To be used for the agency's employee recognition program.		
<b>Funds Expended</b>	500	200
<b>Year-End Fund Balance</b>	5,300	4,300

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
<b>Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
<b>Purpose of Fund:</b> To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Medicaid eligible. All federal Medicaid monies must flow through AHCCCS, therefore, these monies are obtained by AHCCCS and then passed on to the participating schools.		
<b>Funds Expended</b>	53,633,300	57,476,600
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds (HCA2120 Acute Care/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant monies.		
<b>Purpose of Fund:</b> Includes federal grant funding for behavioral health and substance use disorder services that AHCCCS distributes to the Regional Behavioral Health Authorities. In FY 2019, the estimated revenues include \$40,379,700 for the federal Substance Abuse Prevention and Treatment block grant, \$27,153,100 for Opioid State Targeted Response grants, \$16,800,400 for the Community Mental Health Block Grant, and \$3,250,600 for other grants.		
<b>Funds Expended</b>	64,991,000	87,583,800
<b>Year-End Fund Balance</b>	680,100	0
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA) (HCA2999/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> Federal Funds to assist Medicaid providers in adopting electronic medical records.		
<b>Funds Expended</b>	13,557,900	48,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
<b>Purpose of Fund:</b> For AHCCCS' administrative costs and for the provision of services to eligible Medicaid populations. Any monies received in excess of the FY 2019 budgeted appropriations for the Nursing Facility Provider Assessment, Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), or Safety Net Care Pool (SNCP) program by the AHCCCS administration in FY 2019, including any federal matching monies, are appropriated to the Administration in FY 2019.		
<b>Funds Expended</b>	8,408,942,600	9,039,581,900
<b>Year-End Fund Balance</b>	73,479,500	53,479,100
<b>Hospital Assessment Fund (HCA9692/A.R.S. § 36-2901.09)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> An assessment on hospital revenues, discharges, or beds days.		
<b>Purpose of Fund:</b> For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
<b>Funds Expended</b>	255,421,000	310,023,300
<b>Year-End Fund Balance</b>	61,866,500	51,843,200
<b>Hospital Loan Residency Fund (HCA2532/A.R.S. § 36-2921 [REPEALED])</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Received a \$1,000,000 deposit from the General Fund in FY 2007.		
<b>Purpose of Fund:</b> To provide interest free loans to fund start-up and ongoing costs for residency programs in accredited hospitals, with priority given to rural areas. The FY 2019 General Appropriation Act required AHCCCS to transfer the remaining \$900,000 balance in the fund to the General Fund by June 30, 2018. The FY 2019 Health Budget Reconciliation Bill permanently eliminated the fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
<b>IGA for County Behavioral Health Services Fund (HSA4503/A.R.S. § 36-108.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from local governments and state liquor service fees.		
<b>Purpose of Fund:</b> To fund the delivery of behavioral health services to seriously mentally ill (SMI) individuals, some mental health services for non-SMI individuals, and the administration of Local Alcohol Reception Centers (LARC) to treat substance abuse. In FY 2019, the fund will receive \$XXX million from Maricopa County, \$XXX million from Pima County, \$XXX million from Coconino County, \$XXX million from the City of Phoenix, and \$XXX million in Liquor Service Fees from the Department of Liquor Licenses and Control.		
<b>Funds Expended</b>	64,672,700	67,529,200
<b>Year-End Fund Balance</b>	465,000	0
<b>Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from the State of Hawaii.		
<b>Purpose of Fund:</b> To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System.		
<b>Funds Expended</b>	6,542,000	8,713,900
<b>Year-End Fund Balance</b>	3,749,400	2,852,500
<b>Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
<b>Purpose of Fund:</b> To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid sharer of the assessment, to provide Medicaid supplemental payments to fund covered nursing facility services for Medicaid beneficiaries, and to pay up to 1% in administrative expenses incurred by AHCCCS for administering this fund.		
<b>Funds Expended</b>	32,501,500	32,989,400
<b>Year-End Fund Balance</b>	962,300	0
<b>Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
<b>Purpose of Fund:</b> To expand funding for hospitals through supplemental payments and the Access to Professional Services Initiative. Includes agreements for the Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), or Safety Net Care Pool (SNCP) programs.		
<b>Funds Expended</b>	114,602,300	138,077,400
<b>Year-End Fund Balance</b>	0	0
<b>Prescription Drug Rebate Fund (HCA2546/A.R.S. § 36-2930)</b>		<b>EA/Appropriated</b>
<b>Source of Revenue:</b> Prescription drug rebate collections and interest from prescription drug rebate late payments.		
<b>Purpose of Fund:</b> To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. The federal share of rebates is retained by the state and is used in lieu of federal match funds. Monies in the fund used in lieu of federal match funds are subject to expenditure authority; all other monies are appropriated.		
<b>Appropriated Funds Expended</b>	145,284,800	148,458,800
<b>Funds Expended in Lieu of Federal Funds</b>	548,393,900	550,507,200
<b>Year-End Fund Balance</b>	183,349,000	185,103,900
<b>Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gaming monies received from the Arizona Benefits Fund.		
<b>Purpose of Fund:</b> For unrecovered trauma center readiness and emergency services costs.		
<b>Funds Expended</b>	23,274,500	23,500,000
<b>Year-End Fund Balance</b>	6,500,900	6,500,900



SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
<b>Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
<b>Purpose of Fund:</b> To fund housing projects as well as rental assistance for the seriously mentally ill. The non-appropriated portion of the fund is used for rental assistance for seriously mentally individuals, as well as the operation, construction or renovation of a facility that houses seriously mentally ill individuals. Administrative expenses are appropriated and may not exceed 10% of the Seriously Mentally Ill Housing Trust monies. No administrative funding was appropriated in FY 2018 or FY 2019.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-Appropriated Funds Expended</b>	849,700	4,100,000
<b>Year-End Fund Balance</b>	7,028,900	5,041,200
<b>Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives 23.6% of monies collected from Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
<b>Purpose of Fund:</b> To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers.		
<b>Funds Expended</b>	2,250,200	2,250,200
<b>Year-End Fund Balance</b>	2,723,700	2,473,500
<b>Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to the fund, any gifts or donations to the fund and interest earned on those monies.		
<b>Purpose of Fund:</b> To enter into agreements with one or more contractors for substance use disorder services. Monies in the fund shall not be used for persons eligible for Medicaid or Children's Health Insurance Program services. Preference shall be given to persons with lower household incomes. Contractor administrative costs shall not exceed 8% of the expenditures for services. Monies in the fund are non-lapsing.		
<b>Funds Expended</b>	248,000	4,906,000
<b>Year-End Fund Balance</b>	9,776,500	4,891,000
<b>Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care)</b>		<b>EA/Non-Appropriated</b>
<b>Source of Revenue:</b> Collections from third-party payers and revenues from lien and estate recoveries.		
<b>Purpose of Fund:</b> To provide acute medical services to AHCCCS members.		
<b>Expenditure Authority Funds Expended</b>	0	194,700
<b>Non-Appropriated Funds Expended</b>	1,527,600	1,498,300
<b>Year-End Fund Balance</b>	1,857,700	1,539,800
<b>Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies received from tobacco companies as part of a lawsuit settlement.		
<b>Purpose of Fund:</b> Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
<b>Funds Expended</b>	101,761,000	87,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Tobacco Products Tax Fund - Emergency Health Services Account* (HCA1304/A.R.S. § 36-776)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
<b>Purpose of Fund:</b> For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		

SUMMARY OF FUNDS	FY 2018 Actual	FY 2019 Estimate
<b>Tobacco Products Tax Fund - Proposition 204 Protection Account*</b> (HCA1303/A.R.S. § 36-778)		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
<b>Purpose of Fund:</b> To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.		
<b>Tobacco Tax and Health Care Fund *(RVA1306/A.R.S. § 36-771)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund consists of certain tax monies collected on cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms of tobacco, and all interest earned on these monies.		
<b>Purpose of Fund:</b> To AHCCCS for the Medically Needy Accounts (70%), the Arizona Department of Health Services (DHS) for the Health Education Account (23%), the Health Research Accounts (5%), and the State Department of Corrections (DOC) for the Corrections Fund Adjustment Account (2%). Under A.R.S. § 36-775, the amount transferred to the Corrections Fund Account is to reflect only the actual amount needed to offset decreases in the Corrections Fund resulting from lower tax revenues. Any unexpended Corrections Fund Adjustment Account amounts are to be transferred out proportionally to the other 3 accounts. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.		
<b>Tobacco Tax and Health Care Fund - Medically Needy Account*</b> (HCA1306/A.R.S. § 36-774)		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account.		
<b>Purpose of Fund:</b> For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.		

\*See Table 8