

Arizona Health Care Cost Containment System

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,339.3	2,339.3	2,339.3 ^{1/}
Personal Services	40,747,000	42,662,000	42,662,000
Employee Related Expenditures	17,412,600	18,179,200	18,179,200
Professional and Outside Services	12,510,100	12,917,500	12,917,500
Travel - In State	98,300	100,300	100,300
Travel - Out of State	34,900	37,600	37,600
Other Operating Expenditures	15,810,100	27,408,200	17,530,200
Equipment	211,600	215,500	215,500
OPERATING SUBTOTAL	86,824,600	101,520,300	91,642,300 ^{2/}
SPECIAL LINE ITEMS			
Administration			
ADOA Data Center	15,697,100	19,325,800	19,325,800
DES Eligibility	88,083,900	88,874,500	88,874,500 ^{3/}
Proposition 204 - AHCCCS Administration	19,998,500	13,155,200	13,155,200 ^{4/}
Proposition 204 - DES Eligibility	34,457,800	44,358,700	44,358,700 ^{4/}
Medicaid Services			
Traditional Medicaid Services	5,048,492,700	5,179,189,700	5,743,961,500 ^{5/6/7/8/}
Proposition 204 Services	3,878,692,600	4,168,410,500	4,585,376,000 ^{7/8/}
Adult Expansion Services	467,661,400	527,018,800	572,108,200
Comprehensive Medical and Dental Program	177,748,300	180,729,500	197,732,200 ^{7/}
KidsCare Services	73,207,800	106,516,300	92,088,200
ALTCS Services	1,598,027,600	1,796,913,800	1,966,345,300 ^{9/10/11/}
Behavioral Health Services in Schools	9,943,700	9,990,000	10,003,300
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	76,729,900	77,646,900	77,646,900 ^{12/}
Supported Housing	5,324,800	5,324,800	5,324,800
Crisis Services	16,391,300	16,391,300	16,391,300
Hospital Payments			
Disproportionate Share Payments	4,202,300	5,087,100	5,087,100 ^{13/}
DSH Payments - Voluntary Match	7,439,800	40,980,200	27,137,600 ^{8/14/}
Graduate Medical Education	335,141,000	347,558,200	357,621,200 ^{8/15/-18/}
Graduate Medical Education - Community Health Centers	0	750,000	0
Rural Hospitals	28,612,400	28,612,400	28,612,400
Safety Net Care Pool	0	0	0 ^{8/19/}
Targeted Investments Program	65,903,400	90,000,000	70,000,000
AGENCY TOTAL	12,038,580,900	12,848,354,000	14,012,792,500 ^{20/-24/}
FUND SOURCES			
General Fund	1,745,626,100	1,760,748,100	1,942,993,600
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	3,756,200	3,906,400	4,037,400
Children's Health Insurance Program Fund	77,051,800	104,650,200	81,245,700
Prescription Drug Rebate Fund - State	148,213,400	150,526,700	148,458,700
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	17,469,200	16,216,300	16,216,300
Tobacco Tax and Health Care Fund - Medically Needy Account	66,143,900	61,752,600	65,627,200
SUBTOTAL - Other Appropriated Funds	314,884,700	339,302,400	317,835,500
SUBTOTAL - Appropriated Funds	2,060,510,800	2,100,050,500	2,260,829,100

	FY 2019 ACTUAL	FY 2020 ESTIMATE	FY 2021 BASELINE
Expenditure Authority Funds			
Arizona Tobacco Litigation Settlement Fund	98,938,500	102,000,000	102,000,000
County Funds	269,364,900	336,437,800	351,691,000
Delivery System Reform Incentive Payment Fund	20,496,000	28,062,400	21,686,700
Federal Medicaid Authority	8,492,754,100	9,137,369,700	9,997,977,500
Hospital Assessment Fund	270,895,900	340,871,900	408,220,600
Nursing Facility Provider Assessment Fund	28,030,200	32,989,600	32,989,600
Political Subdivision Funds	116,667,900	127,262,800	193,345,100
Prescription Drug Rebate Fund - Federal	644,237,200	609,060,300	609,060,300
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	36,685,400	34,054,300	34,797,900
SUBTOTAL - Expenditure Authority Funds	9,978,070,100	10,748,303,500	11,751,963,400
SUBTOTAL - Appropriated/Expenditure Authority Funds	12,038,580,900	12,848,354,000	14,012,792,500
Other Non-Appropriated Funds	111,245,400	112,233,800	112,233,800
Federal Funds	139,715,200	169,495,100	169,495,100
TOTAL - ALL SOURCES	12,289,541,500	13,130,082,900	14,294,521,400

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 2021.
- 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. The AHCCCS Administration, 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, 2021 on the suicide prevention coordinator's accomplishments in FY 2021. (General Appropriation Act footnote)
- 3/ The amount appropriated for the DES Eligibility line item shall be used for intergovernmental agreements with the Department of Economic Security for eligibility determination and other functions. The state General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility based on the results of the Arizona Random Moment Sampling Survey. (General Appropriation Act footnote)
- 4/ The amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility and Proposition 204 Services line items include all available sources of funding consistent with 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 2021 to the Attorney General for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 6/ The AHCCCS Administration shall transfer \$836,000 from the Traditional Medicaid Services line item for FY 2021 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/ The Legislature intends 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 2021 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 2021 nonfederal costs of providing long term care system services is \$305,872,000. This amount is included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 11/ Any supplemental payments received in excess of \$110,814,900 for nursing facilities that serve Arizona Long Term Care System Medicaid patients in FY 2021, including any federal matching monies, by the AHCCCS Administration are appropriated to the Administration in FY 2021. Before spending these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be spent under this provision. These payments are included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 12/ On or before June 30, 2021, 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 2021 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 2021 by the AHCCCS Administration in excess of \$27,137,600 are appropriated to the Administration in FY 2021. Before spending these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 15/ Any monies for Graduate Medical Education received in FY 2021, including any federal matching monies, by the AHCCCS Administration in excess of \$357,621,200 are appropriated to the Administration in FY 2021. Before spending these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 16/ Notwithstanding A.R.S. § 36-2903.01G9 (a), (b) and (c), the amount for Graduate Medical Education includes \$3,333,400 from the state General Fund and \$7,781,700 from Expenditure Authority for the direct costs of graduate medical education programs located in a county with a population of less than 500,000 persons. The state General Fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The Administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
- 17/ Notwithstanding A.R.S. § 36-2903.01G9 (a), (b) and (c), the amount for Graduate Medical Education includes \$2,666,600 from the state General Fund and \$6,225,000 from Expenditure Authority for the direct costs of graduate medical education programs located in a county with a population of more than 500,000 persons. The state General Fund amount may supplement, but not supplant, voluntary payments made from political subdivisions for payments to hospitals that operate a graduate medical education program. The Administration shall prioritize distribution to programs at hospitals in counties with a higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5. (General Appropriation Act footnote)
- 18/ Monies appropriated for Graduate Medical Education in this section are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2022. (General Appropriation Act footnote)
- 19/ Any monies received for the Safety Net Care Pool by the AHCCCS Administration in FY 2021, including any federal matching monies, are appropriated to the Administration in FY 2021. Before spending 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 spent under this provision. (General Appropriation Act footnote)
- 20/ 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)

- 21/ 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)
- 22/ The AHCCCS Administration shall report to the Joint Legislative Budget Committee on or before March 1, 2021 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 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)
- 23/ On or before July 1, 2021, 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, 2020. (General Appropriation Act footnote)
- 24/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS' FY 2021 General Fund spending increases by \$182,245,500, or 10.4%, from FY 2020. This amount includes:

- \$179,995,500 for formula adjustments.
- \$(750,000) for removal of one-time funding of Graduate Medical Education in community health centers in Northern Arizona.
- \$3,000,000 for Graduate Medical Education funding in health professional shortage areas.

Below is an overview of FY 2021 formula adjustments, which *Table 1* summarizes. As part of the budget's 3-year spending plan AHCCCS' General Fund costs are projected to increase by \$77,923,600 in FY 2022 above FY 2021 and by \$38,606,500 in FY 2023 above FY 2022. (See the *Other Issues* section for more information.)

Formula Adjustments

Formula adjustments represent changes that occur under current law, including caseload, capitation, and federal match rate revisions. The Baseline includes an increase of \$179,995,500 from the General Fund in FY 2021 for the following AHCCCS formula adjustments. This amount includes:

- \$337,578,900 for growth in state match expenses associated with formula adjustments.
- \$(157,583,400) for changes in General Fund offsets.

FY 2020 Base Adjustment

In FY 2021, the Baseline includes \$45,978,600 in state costs for a rebase associated with higher-than-budgeted capitation rates, as well as \$69,839,100 for increased Access to Professional Services Initiative (APSI) spending. The total FY 2020 base adjustment amounts to \$115,817,700. This amount is also included as a supplemental appropriation in FY 2020. (See the *Other Issues* section for more information.)

Table 1

AHCCCS State Match Spending Changes (in millions)

State Match Formula Adjustments

FY 2020 Base Adjustment – Caseload	46
FY 2020 Base Adjustment – APSI	70
FY 2021 Caseload Growth	27
FY 2021 2.6% Capitation Rate Increase	96
FY 2021 Federal Medicaid Match Rate Change	68
FY 2021 Health Insurer Fee Restoration	31
<i>State Match Costs Subtotal</i>	<u>338</u>

Non-General Fund State Match Offsets

Political Subdivision Funds Increase	(70)
Hospital Assessment Fund	(67)
County Funds Increase	(15)
Tobacco Tax Revenue Increase	(5)
<i>General Fund Offsets Subtotal</i> ^{1/}	<u>(158)</u>

Non-Formula Adjustments

North Country GME	(1)
GME/Health Professional Shortage Area	3
<i>Non-Formula Subtotal</i>	<u>2</u>

Total General Fund Spending Change^{1/} **\$182**

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

Of the corresponding \$519,269,700 Total Fund increase, \$222,542,800, or 42.9%, is attributable to uniform

percentage increases within APSI and the Pediatric Service Initiative (PSI). The initiatives, which provide enhanced financial support to professionals and pediatric units meeting established requirements, will receive uniform percentage increases of 85% and 36%, respectively, to their contracted rates.

FY 2021 Caseload Adjustment

Formula adjustments include enrollment growth for most populations. In FY 2021, the Baseline assumes 2.64% growth for ALTCS; 0.5% growth for Traditional, KidsCare, Childless Adults, and other Proposition 204 populations; and flat growth for Adult Expansion and CMDP populations. Overall, caseload growth is expected to increase state match expenses by \$27,326,500 and Total Funds expenses by \$125,350,700 in FY 2021. *Table 2* displays historical and forecasted member months across AHCCCS populations.

FY 2021 Inflation Adjustments

The Baseline assumes a 2.6% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2020. This increase is based on a 5-year average of the medical care consumer price index. Inflation adjustments would increase AHCCCS state costs by \$95,589,300 and Total Funds costs by \$415,698,200 in FY 2021. Approximately \$94,774,400, or 22.8%, of the Total Fund costs are associated with increased APSI/PSI spending.

FY 2021 Federal Match Rate Changes

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During SFY 2021, the blended FMAP rates will be as follows:

- Traditional Medicaid rate will increase to 70.01% (0.04 percentage point increase).
- Proposition 204 Childless Adult rate will decrease to 90.0% (a 1.5 percentage point decrease).
- Adult Expansion rate will decrease to 90.0% (a 1.5 percentage point decrease).
- CHIP rate will decrease to 82.04% (a 10.8 percentage point decrease).

The Baseline includes an increase of \$67,526,100 in state costs in FY 2021 as a result of these primarily declining FMAP rates.

Health Insurer Fee Restoration

The Baseline includes an increase of \$31,319,300 in state funds for the restoration of the Affordable Care Act Health Insurer Fee in FY 2021. A federal continuing

Population	June 2019 (Actual)	June 2020 (Forecast)	June 2021 (Forecast)	'20-'21 % Change
Traditional	1,009,019	1,009,019	1,014,064	0.5%
Prop 204 Childless Adults	319,925	335,921	337,601	0.5
Other Proposition 204	185,961	187,820	188,759	0.5
Adult Expansion	76,825	76,825	76,825	0.0
KidsCare	34,318	35,588	35,766	0.5
CMDP	13,147	13,147	13,147	0.0
ALTCS - Elderly & Physically Disabled ^{2/}	31,241	32,234	33,085	2.64
Emergency Services	<u>112,234</u>	<u>112,234</u>	<u>112,795</u>	<u>0.5</u>
Total Member Months	1,782,670	1,802,788	1,812,042	0.5%

^{1/} The figures represent June 1 enrollment.
^{2/} The ALTCS program funded in AHCCCS. An additional 36,642 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of September 1, 2019.

resolution (P.L.115-120) imposed a one-time moratorium on the fee in CY 2019. While the Health Insurer Fee is being restored in FY 2021 and FY 2022, the Federal Consolidated Appropriations Act of 2020 repeals the fee beginning in FY 2023.

Non-General Fund State Match Items

The gross state match contribution from the FY 2020 base adjustment and annualizations, FY 2021 caseload growth, inflation, and federal match rate changes is projected to increase by \$337,578,900. The Non-General Fund state match is forecast to offset \$(157,583,400) of this cost, resulting in a net General Fund change of \$179,995,500. When combined with legislatively-mandated changes, or non-formula adjustments, the net General Fund change increases to \$182,245,200.

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

- An increase of \$70,232,300 from Political Subdivision Funds in association with APSI. APSI will fund an 85% rate increase in CY 2020 for AHCCCS services rendered by select providers in qualifying hospitals.
- An increase of \$67,348,700 from the Hospital Assessment Fund in FY 2021 to continue to cover the physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- An increase of \$15,384,200 in County Funds, mostly for ALTCS.
- An increase of \$4,618,200 from tobacco tax revenues to reflect higher-than-budgeted receipts. While receipts continue to decline, they did not decline as quickly as projected in the FY 2020 budget.

Operating Budget

The Baseline includes \$91,642,300 and 1,023.2 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

	FY 2021
General Fund	\$28,637,600
Children’s Health Insurance Program (CHIP) Fund	5,574,000
Prescription Drug Rebate Fund (PDRF) - State	660,800
Federal Medicaid Authority (FMA)	56,769,900

FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(9,878,000) in FY 2021 to remove one-time funding for operating expenses associated with AHCCCS’ information technology systems for Asset Verification, Electronic Visit Verification, and Provider Management. This amount consists of:

PDRF-State	(2,068,000)
Federal Medicaid Authority	(7,810,000)

Administration

ADOA Data Center

The Baseline includes \$19,325,800 in FY 2021 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 2020.

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 2021 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 2020.

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

Proposition 204 - AHCCCS Administration

The Baseline includes \$13,155,200 and 131 FTE Positions in FY 2021 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,209,300
PDRF - State	60,900
Federal Medicaid Authority	8,885,000

These amounts are unchanged from FY 2020.

Proposition 204 expanded AHCCCS eligibility. This line item contains funding for AHCCCS’ administration costs of the Proposition 204 program.

Proposition 204 - DES Eligibility

The Baseline includes \$44,358,700 and 300.1 FTE Positions in FY 2021 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,684,800
Budget Neutrality Compliance Fund (BNCF)	4,037,400
Federal Medicaid Authority	23,636,500

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(131,000) from the General Fund and a corresponding increase of \$131,000 from the BNCF in FY 2021 to reflect an increase of county contributions in FY 2021 as required by A.R.S. § 11-292.

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

Medicaid Services

AHCCCS oversees acute care, behavioral health services, and long-term care services for Medicaid enrollees.

Chart 1 shows the income eligibility limits for each AHCCCS population in FY 2021. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The Baseline includes \$5,743,961,500 in FY 2021 for Traditional Medicaid Services. This amount consists of:

General Fund	1,277,622,300
County Funds	45,819,000
Political Subdivision Funds	73,818,600
PDRF - State	140,158,600
TTHCF - Medically Needy Account	65,627,200
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	3,568,082,800

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$564,771,800 in FY 2021 for formula adjustments. This amount consists of:

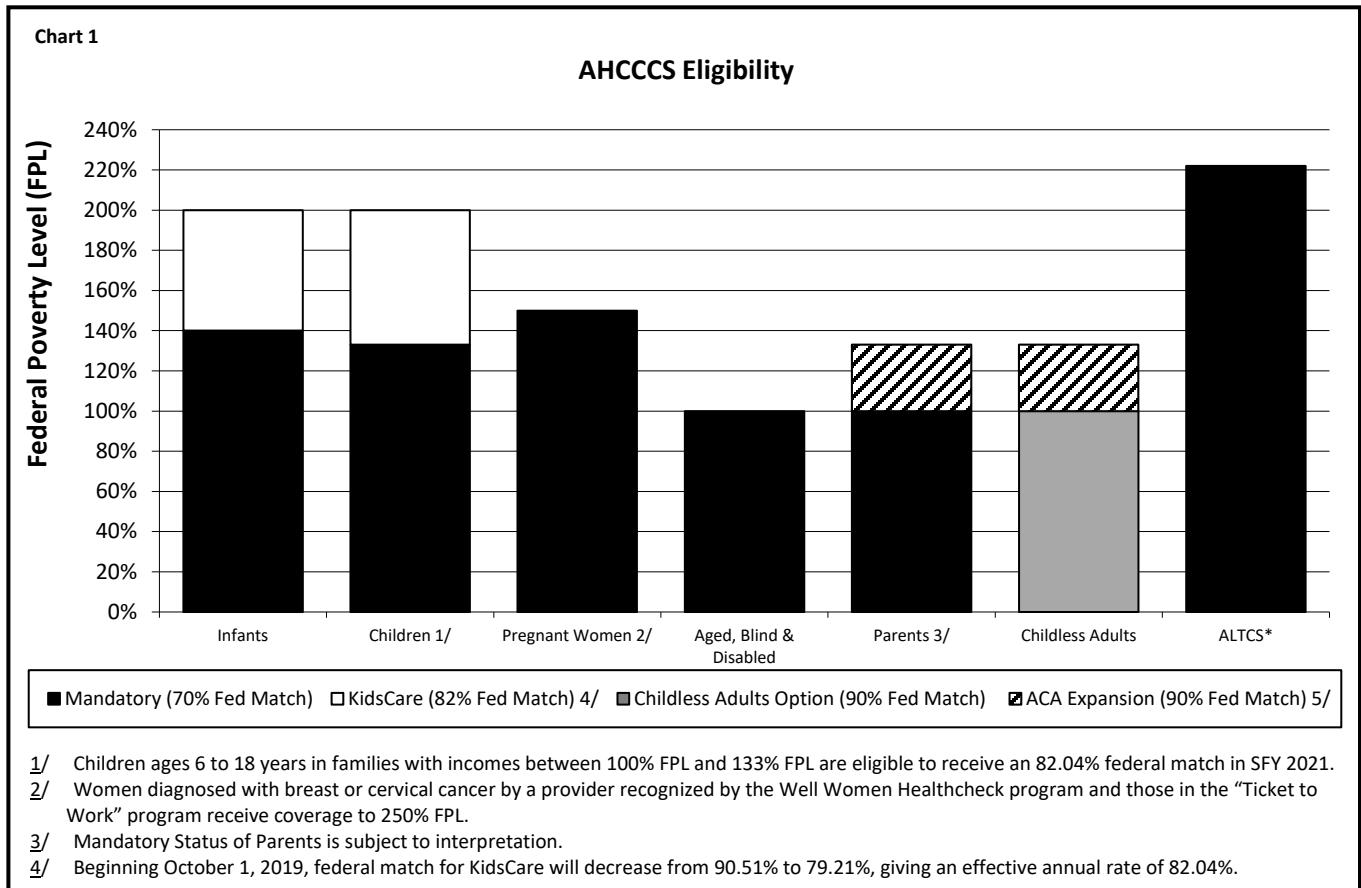
General Fund	106,995,200
County Funds	(342,700)
Political Subdivision Funds	63,520,900
TTHCF - Medically Needy Account	3,874,600
Federal Medicaid Authority	390,723,800

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- 0.5% FY 2021 enrollment growth.
- An increase in the blended federal match rate from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.
- \$3,874,600 increase from the TTHCF – Medically Needy Account with a corresponding General Fund decrease.
- \$(342,700) decrease in the Maricopa County Acute Care contribution (County Funds) under A.R.S. § 11-292 with a corresponding General Fund increase.

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

- Children under 1, up to 140% of the federal poverty level (FPL).
- Children aged 1-18, up to 133% FPL.
- Pregnant women, up to 150% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 22% FPL.



- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work").

Proposition 204 Services

The Baseline includes \$4,585,376,000 in FY 2021 for Proposition 204 Services. This amount consists of:

General Fund	121,211,500
Hospital Assessment Fund	364,184,700
Political Subdivision Funds	7,394,800
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	16,216,300
TPTF - Proposition 204 Protection Account	34,797,900
Federal Medicaid Authority	3,939,570,800

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$416,965,500 in FY 2021 for formula adjustments. This amount consists of:

General Fund	26,123,000
Hospital Assessment Fund	60,701,800
Political Subdivision Funds	4,830,100
TPTF - Proposition 204 Protection Account	743,600
Federal Medicaid Authority	324,567,000

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- 0.5% FY 2021 enrollment growth.
- An increase in the federal match rate for the non-childless adult population from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- A decrease in the federal match rate for the childless adult population from 91.50% in SFY 2020 to 90.00% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.
- \$743,600 increase from the TPTF - Proposition 204 Protection Account due to higher-than-expected tobacco tax revenues and a corresponding decrease of \$(743,600) in other 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.

Adult Expansion Services

The Baseline includes \$572,108,200 in FY 2021 for Adult Expansion Services. This amount consists of:

General Fund	7,361,600
Hospital Assessment Fund	44,035,900
Political Subdivision Funds	624,500
Federal Medicaid Authority	520,086,200

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$45,089,400 in FY 2021 for formula adjustments. This amount consists of:

General Fund	1,968,200
Hospital Assessment Fund	6,646,900
Political Subdivision Funds	444,600
Federal Medicaid Authority	36,029,700

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- Flat FY 2021 enrollment growth.
- A decrease in the federal match rate from 91.50% in SFY 2020 to 90.00% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.

Background – The Adult Expansion Services line item funds Medicaid services for adults from 100% to 133% FPL who are not eligible for another Medicaid program. While the federal government previously paid 100% of the cost of this population, the federal share gradually declined 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 \$197,732,200 in FY 2021 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	59,250,900
Federal Medicaid Authority	138,481,300

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$17,002,700 in FY 2021 for formula adjustments. This amount consists of:

General Fund	4,953,300
Federal Medicaid Authority	12,049,400

These adjustments include:

- FY 2020 rebase due to higher-than-budgeted capitation costs.
- Flat FY 2021 enrollment growth.
- An increase in the federal match rate from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- 2.6% capitation rate increase.

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 physical health services of the population while AHCCCS administers the behavioral health services through contracts with Regional Behavioral Health Authorities (RHBAs). Laws 2019, Chapter 305 authorizes the integration of physical health services and behavioral health services under a single plan administered by DCS if sufficient funding is available. (Please see the [CMDP Integration section](#) of the Department of Child Safety narrative for additional information.)

KidsCare Services

The Baseline includes \$92,088,200 in FY 2021 for KidsCare services. This amount consists of:

General Fund	16,214,400
Political Subdivision Funds	362,100
CHIP Fund	75,511,700

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(14,428,100) in FY 2021 for formula adjustments. This amount consists of:

General Fund	8,690,600
Political Subdivision Funds	285,800
CHIP Fund	(23,404,500)

These adjustments include:

- FY 2020 rebase due to lower-than-budgeted enrollment costs. While the FY 2020 budget originally included \$106.5 million for KidsCare, the FY 2020 cost is now estimated at \$88.5 million.
- 0.5% FY 2021 enrollment growth.
- A decrease in the federal match rate from 92.88% in SFY 2020 to 82.04% in SFY 2021.
- 2.6% capitation rate increase.

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.

For additional program history, please refer to the [FY 2020 Appropriations Report](#).

ALTCS Services

The Baseline includes \$1,966,345,300 in FY 2021 for ALTCS services. This amount consists of:

General Fund	265,435,600
County Funds	305,872,000
Political Subdivision Funds	1,150,900
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	1,316,896,800

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$169,431,500 in FY 2021 for formula adjustments. This amount consists of:

General Fund	31,393,300
County Funds	15,595,900
Political Subdivision Funds	1,150,900
Federal Medicaid Authority	121,291,400

These adjustments include:

- 2.64% FY 2021 enrollment growth.
- An increase in the federal match rate from 69.97% in SFY 2020 to 70.01% in SFY 2021.
- 2.6% capitation rate increase.
- Restoration of the Health Insurer Fee.

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% of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$9,368 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 2020, AHCCCS estimates that client contributions will pay for 4.1%, or \$58.7 million, 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 \$10,003,300 in FY 2021 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	7,003,300

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$13,300 from Federal Medicaid Authority due to 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 for administration of Mental Health First Aid training in public schools. The remaining \$9,003,300 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 2021 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2020.

Background – This line item provides funding for Non-Medicaid SMI clients. The state had been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population. (Please see footnotes for more information on service targets established by the *Arnold v. Sarn* exit agreement and see the FY 2015 Appropriations Report for a history of the case.)

Supported Housing

The Baseline includes \$5,324,800 from the General Fund in FY 2021 for Supported Housing. This amount is unchanged from FY 2020.

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

In addition to the \$5,324,800 for Supported Housing in this line item, the RBHAs may also expend monies in the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing services. The RBHAs report expending \$22,302,000 of their allocation from the Non-Medicaid Seriously Mentally Ill Services line item on Supported Housing Services in SFY 2018.

Crisis Services

The Baseline includes \$16,391,300 in FY 2021 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 2020.

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.

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 Consolidated Appropriations Act of 2020 delays nationwide DSH payment reductions until May 2020. DSH cuts of \$(8.0) billion are scheduled in FY 2021 and each year thereafter.

Arizona's estimated federal DSH allocation in FY 2021 is \$117.4 million. As a result, a proportionate (61.4)% reduction in Arizona's DSH allotment would generate a net loss of Federal Funds of \$(72.1) million in FY 2021.

Relative to the FY 2021 Baseline, if the \$(72.1) million proportionate reduction occurs, the current DSH methodology would result in a \$(19) million Federal Funds reduction to eliminate the availability of the DSH Voluntary program and a \$(53.1) million reduction in 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 budget does not incorporate the \$(72.1) million federal funding loss in FY 2021. The budget instead assumes that Arizona's DSH allocation would be adjusted in FY 2021 according to the regular federal formula, as outlined below.

Increase in Uncompensated Care Payments

In FY 2021, the state's total DSH payments are estimated to increase by \$2,671,800 from \$167,644,000 in FY 2020 to \$170,315,800 due to federal adjustments for inflation and the FMAP. Of the \$170,315,800 of eligible DSH funding in FY 2021, \$128,054,700 is distributed according to the allocations described below and listed in *Table 3*.

The remaining \$42,261,100 of eligible funding represents existing expenditures used as part of the state match.

Eligible Funding ^{1/}	FY 2020 (June 2019) ^{2/}	FY 2020 (Jan. 2020) ^{3/}	FY 2021
MIHS - CPE	\$97,304,100	\$113,818,500	\$113,818,500
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	<u>40,980,200</u>	<u>24,465,800</u>	<u>27,137,600</u>
Total Funding	\$167,664,000	\$167,644,000	\$170,315,800
General Fund			
Retain FF of CPE (via MIHS)	\$ 63,930,000	\$ 75,493,400	\$ 75,812,100
Retain FF of CPE (via ASH)	<u>19,938,100</u>	<u>19,938,100</u>	<u>20,017,900</u>
Subtotal - General Fund	\$ 83,868,100	\$ 95,431,500	\$ 95,830,000
Other Entities			
State MIHS	\$ 4,202,300	\$ 4,202,300	\$ 4,202,300
Private Hospitals	<u>884,800</u>	<u>884,800</u>	<u>884,800</u>
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
Total DSH Distributions	\$88,955,200	\$100,518,600	\$100,917,100
Voluntary Match	\$ 40,980,200	\$ 24,465,800	\$ 27,137,600
Total Distributions	\$129,935,400	\$ 124,984,400	\$ 128,054,700

^{1/} Amounts include state and federal match funding.
^{2/} Assumes certifiable uncompensated care at MIHS is \$97.3 million.
^{3/} Assumes certifiable uncompensated care at MIHS is at the established funding level of \$113.8 million.

For more information regarding public hospital distributions, private hospital distributions, and DSH voluntary match distributions, please refer to the [Hospital Payments](#) program summary on the JLBC website.

Disproportionate Share Payments

The Baseline includes \$5,087,100 in FY 2021 for Disproportionate Share Payments. This amount consists of:

General Fund	265,400
Federal Medicaid Authority	4,821,700

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(100) from Federal Medicaid Authority and a corresponding increase of \$100 from the General Fund in FY 2021 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 \$265,400 from the General Fund and \$619,400 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 \$27,137,600 in FY 2021 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	8,135,900
Federal Medicaid Authority	19,001,700

FY 2021 adjustments are as follows:

Decreased Funding

The Baseline includes a decrease of \$(13,842,600) in FY 2021 due to a decrease in Arizona's allocation of federal DSH funding. This amount consists of:

Political Subdivision Funds	(4,150,000)
Federal Medicaid Authority	(9,692,600)

While the FY 2020 General Appropriation Act displays a \$40,980,200 appropriation for FY 2020, it presumed \$97,304,100 in uncompensated care at MIHS based on the FY 2018 level of uncompensated care, which was lower than budgeted. The limit in the FY 2020 Health

Budget Reconciliation Bill (BRB), however, remained at \$113,818,500. FY 2019 actuals have since revealed that MIHS reached the \$113,818,500 funding level in FY 2019. The Baseline, therefore, assumes the state will draw down \$113,818,500 in both FY 2020 and FY 2021, thereby reducing the FY 2021 Voluntary Match amount by \$(13,842,600) (see *Table 3*).

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Baseline would continue provisions from the FY 2020 Health BRB that give 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 2020.

Graduate Medical Education

The Baseline includes \$357,621,200 in FY 2021 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	6,000,000
Political Subdivision Funds	101,394,100
Federal Medicaid Authority	250,227,100

FY 2021 adjustments are as follows:

Increased Funding

The Baseline continues an FY 2020 increase of \$44,006,700 in FY 2021 for an increase in GME payments. This amount consists of:

Political Subdivision Funds	12,812,600
Federal Medicaid Authority	31,194,100

Although the FY 2020 General Appropriation Act displays a \$303,551,500 appropriation for FY 2020, a footnote appropriates any additional payments in excess of that amount. AHCCCS has informed JLBC that it expects to expend \$347,558,200 in total GME payments in FY 2020, or \$44,006,700 more than appropriated in the FY 2020 budget. The FY 2020 appropriation has been adjusted to the \$347,558,200 level (see *Table 4*).

<u>Expenditure Categories</u>	<u>FY 2020</u>	<u>FY 2021</u>
Locally Funded GME	\$ 293,607,800	\$ 337,614,500
FY 2020 Rebase	<u>44,006,700</u>	<u>0</u>
<i>GME Subtotal</i>	<i>\$ 337,614,500</i>	<i>\$ 337,614,500</i>
<i>HPSA GME</i>	<i>\$ 9,943,700</i>	<i>\$ 20,006,700</i>
Total Revenues	\$ 347,558,200	\$ 357,621,200

Health Professional Shortage Areas

The Baseline includes an increase of \$10,063,000 in FY 2021 for GME payments to hospitals located in health professional shortage areas. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	7,063,000

With this increase, \$20,006,700 Total Funds will be available for Health Professional Shortage Areas, or \$6,000,000 from the General Fund and \$14,006,700 from Federal Medicaid Authority.

A pair of General Appropriation Act footnotes would instruct AHCCCS how to allocate the \$20,006,700 total amount for this program. The Baseline allocates \$5,595,000 Total Funds of the increase for GME programs located in a county with less than 500,000 persons and the remaining \$4,468,000 to programs in counties with a population of more than 500,000 persons. The General Fund amount may supplement, but not supplant, existing political subdivision funds for GME programs. AHCCCS shall prioritize funding for hospitals located in federally-designated health professional shortage areas.

The 3-year spending plan associated with the enacted FY 2020 budget assumes that the General Fund appropriation for Graduate Medical Education program will increase from \$3,000,000 in FY 2020 to \$6,000,000 in FY 2021 and \$9,000,000 in FY 2022. The \$9,000,000 in FY 2022 would include a \$5,000,000 allocation for rural GME program and \$4,000,000 for urban GME programs. The funding phase-in assumes that the recipient hospitals would increase the number of slots for incoming residents in FY 2020 and each successive class thereafter, but that the number of slots for the cohorts already enrolled in the program (i.e., that started in FY 2019 or before) would remain unchanged. As a result, the full phase-in of the larger number of slots would occur incrementally until FY 2022.

Background – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. Besides the use of General Fund monies, A.R.S. § 36-2903.01 allows local, county, and tribal governments, along with public universities to provide state match for GME, and entities may designate the recipients of such funds. In FY 2019, 16 hospitals received a total of \$335,140,967 for Graduate Medical Education.

Graduate Medical Education - Community Health Centers

The Baseline includes no funding in FY 2021 for Graduate Medical Education - Community Health Centers. FY 2021 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2021 for one-time funding of graduate medical education in community health centers to address health care provider shortages in Northern Arizona.

Background – Monies in this line item are distributed to a nonprofit organization with a network of community health centers that includes GME programs in Northern Arizona.

Rural Hospitals

The Baseline includes \$28,612,400 in FY 2021 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,580,800
Federal Medicaid Authority	20,031,600

FY 2021 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$2,800 from the General Fund and a corresponding decrease of \$(2,800) from Federal Medicaid Authority in FY 2021 due to a change in the federal match rate.

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 2019, 19 hospitals qualified for funding from Rural Hospital Reimbursement and 10 from CAH.

Safety Net Care Pool

The Baseline includes no funding in FY 2021 for the Safety Net Care Pool (SNCP) program. This amount is unchanged from FY 2020.

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 again extended the date PCH may participate in the program to December 31, 2020. While federal funding for the program ended December 31, 2017, the Baseline continues to provide spending authority due to the program being extended midway through FY 2021.

Targeted Investments Program

The Baseline includes \$70,000,000 in FY 2021 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	21,686,700
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	48,313,300

FY 2021 adjustments are as follows:

Decreased Funding

The budget includes a decrease of \$(20,000,000) in FY 2021 to reflect resources authorized by the federal government for the Targeted Investments Program. This amount consists of:

DSRIP Fund	(6,375,700)
Federal Medicaid Authority	(13,624,300)

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 2020 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Prescription Drug Rebate Fund
- Waiver
- Affordable Care Act Litigation
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2020 Supplemental

The Baseline includes an FY 2020 supplemental appropriation of \$115,817,700 for state costs associated with lower-than-budgeted caseload growth in FY 2020. Of that amount, \$45,978,600 would come from the General Fund; \$5,109,200 would come from Other Funds; and \$64,729,900 would come from Expenditure Authority. The Baseline would continue this funding in FY 2021.

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. Continue to impose a reduction on funding for all managed care organizations administrative funding levels.

Counties

- As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
- As session law, set the FY 2021 County Acute Care contribution at \$45,819,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2021, 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 2021 county Arizona Long Term Care System (ALTCS) contributions at \$304,318,200.

Hospitals

- As session law, continue to establish FY 2021 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2021.
- As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.

Available Funding

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

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, AHCCCS's General Fund spending increases by \$77.9 million in FY 2022 above FY 2021 and by \$38.6 million in FY 2023 above FY 2022. These figures assume 0.5% enrollment growth for most populations, a 2.6% inflation rate, and an increasing federal match rate.

The FY 2023 General Fund impact also accounts for repeal of the Health Insurer Fee, per the Federal Consolidated Appropriations Act of 2020.

In addition to AHCCCS spending changes, the budget's 3-year spending plan assumes that AHCCCS will transfer \$16.7 million from the Prescription Drug Rebate Fund to the General Fund in FY 2022 and FY 2023.

Prescription Drug Rebate Fund

Beginning in 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. To spend down the balance, the Baseline included a one-time transfer of \$69.0 million from PDRF to the General Fund in FY 2020. Under the budgeted projections of ongoing fund revenues and disbursements, the PDRF - State balance is estimated to total \$7.7 million at the end of FY 2021 (see Table 5).

(Please see the Long Term Budget Impacts section for changes to the Prescription Drug Rebate Fund in FY 2022.)

Table 5

State Prescription Drug Rebate Fund Sources and Uses

	<u>FY 2020</u>	<u>FY 2021</u>
Revenues		
Beginning Balance	\$ 45,538,000	\$ 0
Rebate Collections	<u>164,020,200</u>	<u>172,844,200</u>
Total Revenues	\$209,558,200	\$172,844,200
Budgeted Disbursements		
Operating Budget and		
Administration	\$ 2,728,800	\$ 660,800
Traditional Services	140,158,600	140,158,600
ALTCS Services	7,578,400	7,578,400
Prop 204	<u>60,900</u>	<u>60,900</u>
<i>AHCCCS Subtotal</i>	<i>\$ 150,526,700</i>	<i>\$148,458,700</i>
<i>DHS One-Time Health Research</i>		
	<u>\$1,000,000</u>	<u>0</u>
Total Disbursements	\$ 151,526,700	\$148,458,700
General Fund Transfer ^{1/}	\$ 69,000,000	\$ 16,700,000
Projected Ending Balance	\$ (9,968,500)^{2/}	\$ 7,685,500

^{1/} The FY 2020 transfer was enacted by Laws 2019, Chapter 263.

^{2/} Actual FY 2020 ending balance will not be negative.

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. On January 18, 2019 the federal Centers for Medicare and Medicaid Services (CMS) partly approved AHCCCS' waiver submittal. Effective January 1, 2020, AHCCCS enrollees aged 19-49 were to be subject to a "community engagement" requirement of 80 hours per month, which may be satisfied with employment, education, job or life skills training, job search activities, or community service. Individuals failing to comply with the requirement will have their AHCCCS coverage suspended for 2 months. Coverage will be automatically reinstated following the 2-month suspension. CMS did not approve the request for a 5-year time limit on coverage.

The waiver exempts several populations from the community engagement requirement, including individuals with an SMI diagnosis, members of federally recognized tribes, and former foster youth. After accounting for the exemptions, AHCCCS estimates that 120,000 enrollees will be subject to the community engagement requirement.

In January 2019, AHCCCS opened a request for proposals (RFP) for a new information technology system called the "AHCCCS Works Portal" that AHCCCS enrollees will use to report their compliance with the community engagement requirement. The most recent pricing estimate, as of May 2019, is \$4.8 million across 5 years.

In November 2019, AHCCCS announced that implementation of AHCCCS Works is temporarily delayed while court cases involving CMS community engagement requirements are heard. The program would begin no sooner than Summer 2020.

Affordable Care Act Litigation

Current litigation revolves around the constitutionality of the ACA's individual mandate. The Tax Cuts and Jobs Act (TCJA), passed in December 2017, established a \$0 penalty for not having health insurance. On December 14, 2018, the Fifth Circuit Court ruled in *Texas v. Azar* that a \$0 Shared Responsibility Payment renders the mandate 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.

Formal repeal of the ACA would trigger the authorizations set forth in A.R.S. § 36-2901.07 and A.R.S. § 36-2901.08, which extend eligibility to the adult expansion population. However, coverage would continue for the Proposition

204 population from 0-100% and for children ages 6-18 from 100-133%.

For more information regarding prior federal litigation, refer to the [FY 2020 Appropriations Report](#).

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 6*. 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.

More details regarding how [County Contributions](#) are calculated can be found in the corresponding program summary on the JLBC website.

Program Components

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

Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2021, the average capitation rate is expected to be approximately \$511 per

County	FY 2020			FY 2021		
	BNCF	Acute	ALTCS	BNCF ^{1/}	Acute	ALTCS
Apache	\$128,800	\$268,800	731,300	\$133,100	\$268,800	696,200
Cochise	240,200	2,214,800	5,279,800	248,200	2,214,800	5,181,000
Coconino	236,900	742,900	2,195,300	244,900	742,900	2,090,300
Gila	97,300	1,413,200	2,454,500	100,600	1,413,200	2,519,200
Graham	69,200	536,200	1,708,600	71,500	536,200	1,745,100
Greenlee	17,800	190,700	31,800	18,400	190,700	3,900
La Paz	36,800	212,100	836,000	38,100	212,100	716,100
Maricopa	0	18,131,400	188,581,600	0	17,788,700	196,891,500
Mohave	276,500	1,237,700	9,371,400	285,800	1,237,700	9,763,200
Navajo	181,300	310,800	3,026,600	187,300	310,800	2,881,800
Pima	1,647,200	14,951,800	45,835,600	1,702,500	14,951,800	47,415,800
Pinal	322,300	2,715,600	13,957,800	333,100	2,715,600	14,431,100
Santa Cruz	76,200	482,800	2,300,800	78,700	482,800	2,402,000
Yavapai	304,500	1,427,800	8,684,000	314,700	1,427,800	9,074,300
Yuma	271,400	1,325,100	9,691,800	280,600	1,325,100	10,060,500
Subtotal	\$3,906,400	\$46,161,700	\$294,686,900	\$4,037,400	\$45,819,000	\$305,872,000
Total			\$344,755,000			\$355,728,400

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

member per month (or \$6,100 annually). Of that amount, an average of \$121 is from state match and \$390 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 continues to require AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2021 to assist in the enforcement of a multi-year settlement reached between tobacco companies and the state over the Master Settlement Agreement (MSA). This transfer amount consists of:

- Up to \$1,200,000 to the Attorney General for costs associated with tobacco settlement litigation.
- \$836,000 to the Department of Revenue to fund 6 positions that perform luxury tax enforcement and audit duties.

For additional details related to [Tobacco Tax Enforcement and Litigation](#), please refer to the corresponding program summary on the JLBC website.

Tobacco Tax Allocations

The Baseline projects AHCCCS and DHS will receive \$141.5 million in transfers of tobacco tax collections in FY 2021. This amount represents an increase of \$1.9 million (1.4%) from the FY 2020 budgeted amount. *Table 7* 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 2019</u>	<u>FY 2020</u>
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 51,900
Transfer In - Tobacco Tax and Health Care Fund	43,260,500	39,945,800
Transfer In - Tobacco Products Tax Fund	<u>23,583,500</u>	<u>25,296,800</u>
Total Funds Available	\$ 66,844,000	\$ 65,294,500
<u>Allocations</u>		
<i>AHCCCS</i>		
AHCCCS State Match Appropriation	\$ 66,143,900	\$ 61,752,600
Total AHCCCS Allocations	\$ 66,143,900	\$ 61,752,600
<i>DHS</i>		
Folic Acid	\$ 314,800	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	225,000	300,000
Administrative Adjustments	<u>108,400</u>	<u>0</u>
Total DHS Allocations	<u>648,200</u>	<u>700,000</u>
Balance Forward	\$ 51,900	\$ 2,841,900
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	<u>36,685,400</u>	<u>36,457,400</u>
Total Funds Available	\$ 36,685,400	\$ 36,457,400
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 36,685,400	\$ 34,054,300
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward	\$ 0	\$ 2,403,100
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	<u>17,469,200</u>	<u>17,360,600</u>
Total Funds Available	\$ 17,469,200	\$ 17,360,600
<u>Allocations</u>		
AHCCCS State Match Appropriation	17,469,200	16,216,300
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward ^{1/}	\$ 0	\$ 1,144,300
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 4,281,300	\$ 1,885,400
Transfer In - Tobacco Tax and Health Care Fund	14,214,200	13,125,100
Transfer In - Tobacco Products Tax Fund	<u>1,746,900</u>	<u>2,489,900</u>
Total Funds Available	\$ 20,242,400	\$ 17,500,400
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 16,141,500	\$ 12,498,400
Leading Causes of Death - Prevention and Detection	<u>2,215,500</u>	<u>3,125,400</u>
Balance Forward	\$ 1,885,400	\$ 1,876,600
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 9,155,800	\$ 5,736,800
Transfer In - Tobacco Tax and Health Care Fund	3,090,000	2,853,300
Transfer In - Tobacco Products Tax Fund	<u>4,367,300</u>	<u>4,409,100</u>
Total Funds Available	\$ 16,613,100	\$ 12,999,200
<u>Allocations</u>		
Biomedical Research Support	\$ 1,498,800	\$ 2,000,000
Alzheimer's Disease Research	3,000,000	2,000,000
Biomedical Research Commission ^{2/}	5,878,700	9,515,200
Administrative Adjustments	<u>498,800</u>	<u>0</u>
Balance Forward	\$ 5,736,800	\$ (516,000) *

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

^{2/} 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 2019 Actual	FY 2020 Estimate
AHCCCS Restitution Fund (HCA2586/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Restitution monies.		
Purpose of Fund: To track the use of restitution monies received from fraud.		
Funds Expended	5,900,000	0
Year-End Fund Balance	0	0
Arizona Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02)		Appropriated
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.		
Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
Funds Expended	98,938,500	102,000,000
Year-End Fund Balance	0	0
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)		Appropriated
Source of Revenue: County contributions.		
Purpose of Fund: To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
Funds Expended	3,756,200	3,906,400
Year-End Fund Balance	304,600	0
Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)		Appropriated
Source of Revenue: Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare. General Fund monies are used to leverage federal monies for KidsCare and are not included in the reported CHIP Fund expenditures.		
Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the KidsCare program has been set at 200% of the Federal Poverty Level (FPL), which is approximately \$51,500 for a family of 4.		
Funds Expended	77,051,800	104,650,200
Year-End Fund Balance	3,027,200	3,027,200
County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/A.R.S. § 36-2912)		Appropriated
Source of Revenue: Statutorily prescribed county contributions.		
Purpose of Fund: For the provision of acute medical and long term care services to Arizona Health Care Costs Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid dollars. County Funds received by AHCCCS to provide behavioral health services to persons with a serious mental illness are accounted for separately in the IGA for County Behavioral Health Services Fund.		
Funds Expended	269,364,900	336,437,800
Year-End Fund Balance	0	0
Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)		Appropriated
Source of Revenue: Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To fund incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services through the Targeted Investment Program (TI Program). The projects will be funded with existing state matching monies and intergovernmental transfers (IGTs) from counties and universities. Money in the fund will only include state matching monies from IGTs and certified public expenditure for the TI Program.		
Funds Expended	20,496,000	28,062,400
Year-End Fund Balance	18,778,000	14,402,300

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	0	1,400
Year-End Fund Balance	5,900	5,000
Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Medicaid eligible. All federal Medicaid monies must flow through AHCCCS, therefore, these monies are obtained by AHCCCS and then passed on to the participating schools.		
Funds Expended	61,758,800	70,038,500
Year-End Fund Balance	0	0
Federal Funds (HCA2120 Acute Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal grant monies.		
Purpose of Fund: To provide federal match for non-appropriated state expenditures.		
Funds Expended	77,956,400	99,456,600
Year-End Fund Balance	5,577,500	0
Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)		Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: For AHCCCS' administrative costs and for the provision of services to eligible Medicaid populations.		
Funds Expended	8,492,754,100	9,137,369,700
Year-End Fund Balance	(224,114,700)	0
Hospital Assessment Fund (HCA9692/A.R.S. § 36-2901.09)		Appropriated
Source of Revenue: An assessment on hospital revenues, discharges, or beds days.		
Purpose of Fund: For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
Funds Expended	270,895,900	340,871,900
Year-End Fund Balance	76,534,600	67,004,900
IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)		Non-Appropriated
Source of Revenue: Monies voluntarily given to AHCCCS from local governments and tribal communities in order to obtain a federal match.		
Purpose of Fund: To expand funding for Graduate Medical Education or other payments to hospitals.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA for County Behavioral Health Services Fund (HSA4503/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from local governments and state liquor service fees.		
Purpose of Fund: To fund the delivery of behavioral health services to seriously mentally ill (SMI) individuals, some mental health services for non-SMI individuals, and the administration of Local Alcohol Reception Centers (LARC) to treat substance abuse. This fund was transferred from DHS to AHCCCS on July 1, 2016.		
Funds Expended	67,444,400	70,373,400
Year-End Fund Balance	477,200	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)		Non-Appropriated
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System.		
Funds Expended	10,449,200	11,400,000
Year-End Fund Balance	1,178,400	1,178,400
Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)		Appropriated
Source of Revenue: Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
Purpose of Fund: To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid sharer of the assessment, to provide Medicaid supplemental payments to fund covered nursing facility services for Medicaid beneficiaries, and to pay up to 1% in administrative expenses incurred by AHCCCS for administering this fund.		
Funds Expended	28,030,200	32,989,600
Year-End Fund Balance	3,884,100	3,884,100
Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)		Appropriated
Source of Revenue: Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To expand funding for hospitals through supplemental payments and the Access to Professional Services Initiative. Includes agreements for the Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), or Safety Net Care Pool (SNCP) programs.		
Funds Expended	116,667,900	127,262,800
Year-End Fund Balance	0	0
Prescription Drug Rebate Fund - Federal (HCA2546/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Prescription drug rebate collections, interest from prescription drug rebate late payments and Federal monies made available to this state for the operation of the AHCCCS Prescription Drug Rebate Program.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Beginning in FY 2013, federal monies are listed as Expenditure Authority. All other monies are appropriated.		
Funds Expended	644,237,200	609,060,300
Year-End Fund Balance	80,459,600	78,662,100
Prescription Drug Rebate Fund - State (HCA2546/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Prescription drug rebate collections and interest from prescription drug rebate late payments.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. The federal share of rebates is retained by the state and is used in lieu of federal match funds. Monies in the fund used in lieu of federal match funds are subject to expenditure authority; all other monies are appropriated.		
Funds Expended	148,213,400	150,526,700
Year-End Fund Balance	45,538,000	(9,968,500)
Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)		Non-Appropriated
Source of Revenue: Gaming monies received from the Arizona Benefits Fund.		
Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.		
Funds Expended	24,227,700	24,227,700
Year-End Fund Balance	6,732,200	6,732,200

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)		Non-Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: To fund housing projects 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. This fund was transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195.		
Funds Expended	2,287,100	4,100,000
Year-End Fund Balance	6,914,900	4,994,900
Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers. This fund transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195.		
Funds Expended	2,250,200	2,250,200
Year-End Fund Balance	365,200	365,200
Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund, any gifts or donations to the fund and interest earned on those monies.		
Purpose of Fund: To enter into agreements with one or more contractors for substance use disorder services. Monies in the fund shall not be used for persons eligible for Medicaid or Children's Health Insurance Program services. Preferences shall be given to persons with lower household incomes. Contractor administrative costs shall not exceed 8% of the expenditures for services. Monies in the fund are non-lapsing.		
Funds Expended	0	0
Year-End Fund Balance	4,591,500	0
Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)		Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members.		
Funds Expended	0	194,700
Year-End Fund Balance	0	0
Third Party Liability and Recovery Fund (HCA 3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members. This account displays payment of the Third Party Liability contractor fee and return of the federal share of recoveries to CMS.		
Funds Expended	937,000	2,131,300
Year-End Fund Balance	3,035,700	2,984,400
Tobacco Products Tax Fund - Emergency Health Services Account (HCA1304/A.R.S. § 36-776)		Appropriated
Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
Funds Expended	17,469,200	16,216,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2019 Actual	FY 2020 Estimate
Tobacco Products Tax Fund - Proposition 204 Protection Account (HCA1303/A.R.S. § 36-778)		Appropriated
Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.		
Funds Expended	36,685,400	34,054,300
Year-End Fund Balance	0	0
Tobacco Tax and Health Care Fund - Medically Needy Account (HCA1306/A.R.S. § 36-774)		Appropriated
Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account.		
Purpose of Fund: For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election. Any monies in this fund used to pay for behavioral health services were transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195.		
Funds Expended	66,143,900	61,752,600
Year-End Fund Balance	0	0