

# Tribal Consultation Meeting

November 4, 2009

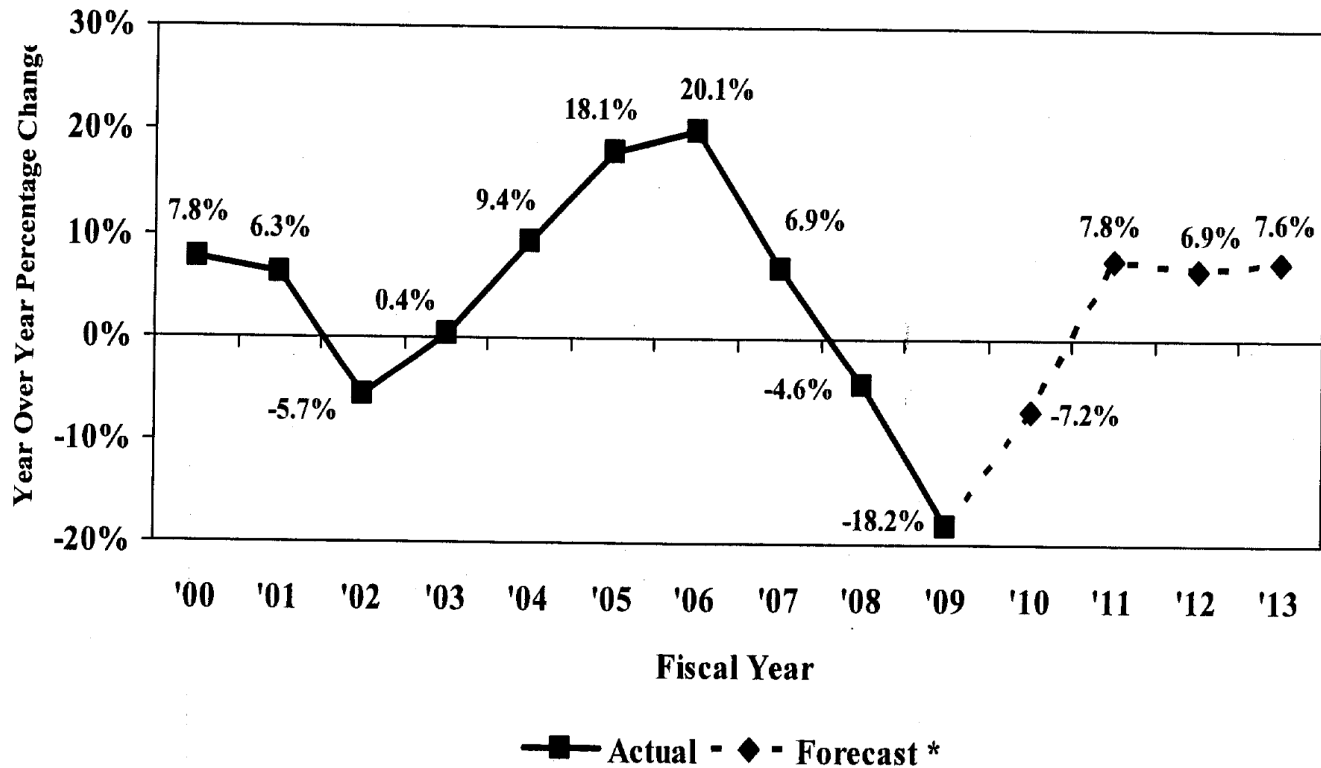
# Budget Update

- Current Economic Outlook
- FY 2010 Shortfall and 15% Request
- Budget Impacts To Date
- FY 2011 Budget Request

# JLBC Highlights

- **The recession MAY TECHNICALLY be over, but...**
  - **Consumer confidence remains soft**
  - **Home sales will eventually increase but housing supply will still exceed demand.**
  - **Job losses will continue past the recession ending date/gains will be slow to materialize**
  - **All of this results in continued General Fund revenue declines**

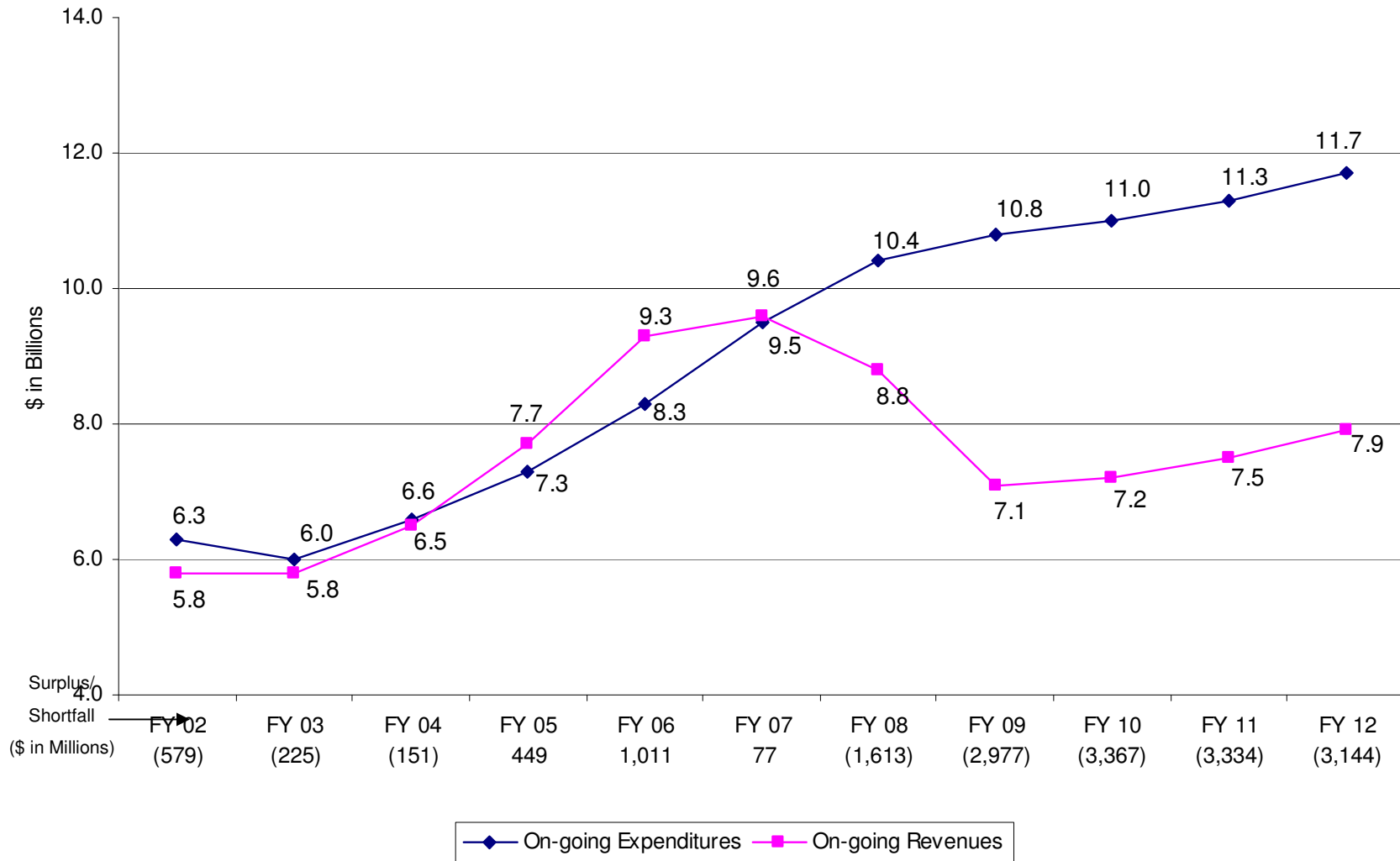
# Consensus Forecasts 7% Growth Through FY '13



\* 4-sector forecast weighted average growth.



# Structural Shortfall Remains Substantial Through FY 2012

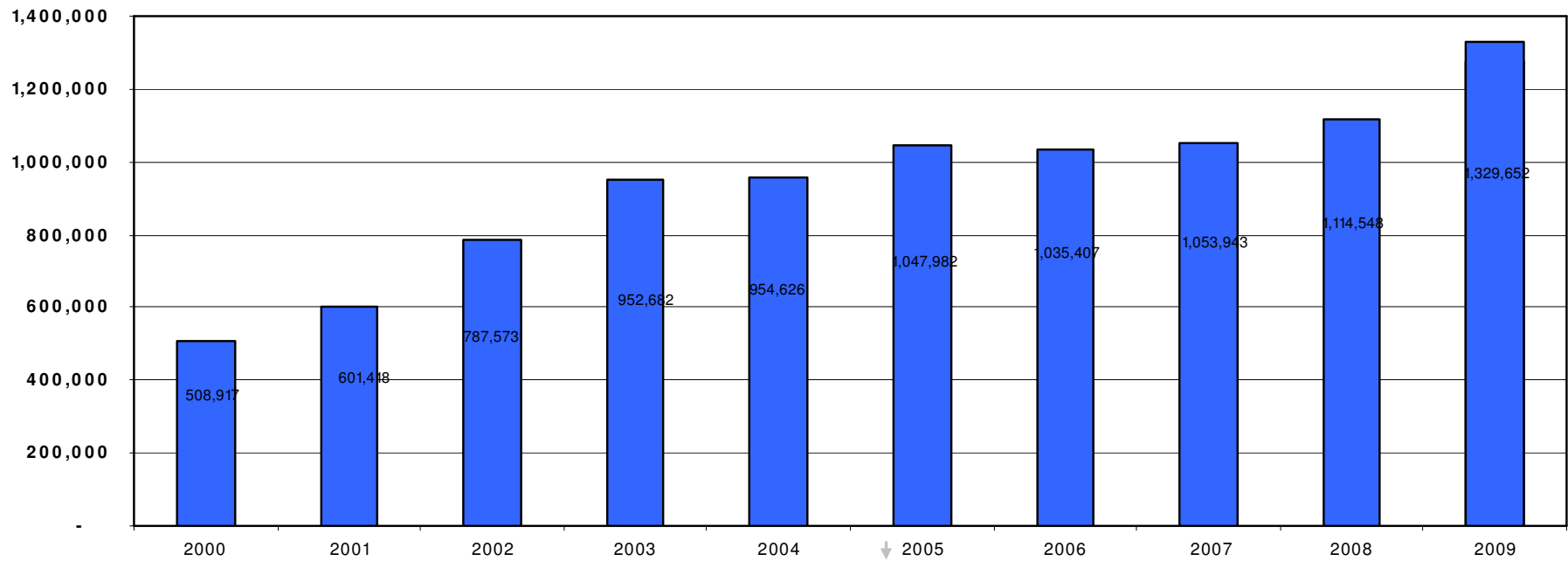


## **Moody's Shifted Rating Outlook to "Negative" - Accompanied by Following Observations**

- The state has taken some steps to stabilize its fiscal situation
- Statutory limits prevent quick action on shortfalls
- Most balancing measures "are not of a recurring nature"
- "Available reserves have been depleted"
- The state faces the "challenge of addressing ongoing structural imbalance with more limited resources, in an environment of continuing economic weakness"

# AHCCCS Population

AHCCCS Population as of Oct 1, 2009



# FY 2010

- Current estimate is the FY 2010 is \$2.0 Billion out of balance
- Governor requested that agencies submit a budget reduction plan of 15%
- AHCCCS had to identify roughly \$20.0 million in General Fund and assume a January 1, 2010 start date
- From a total fund perspective this amounted to \$74 million



# Budget Limitations

- Federal Stimulus legislation established a maintenance of effort requirement limiting ability to reduce eligibility
- Substantive provider rate reductions and freezes were already included in the budget
- Legislature did not make any substantive changes to benefits
- KidsCare was not protected with MOE- currently covers 46,000 kids
- Graduate Medical Education currently funds the Medicaid portion 1,360 residents

# FY 2010 AHCCCS 15% Options

Issue	General Fund	Total Fund
Eliminate KidsCare	9,249,400	43,608,400
Eliminate KC Admin	660,400	3,705,200
35% DSH Reduction	3,134,000	9,150,400
30% GME Reduction	4,341,200	12,675,000
AHCCCS Admin	872,800	1,745,600
DES Admin	1,381,200	2,762,400
Totals	19,639,000	73,647,000

# Budget Changes to Date

- A number of funding changes have been made over the past 3 years
  - Inpatient Outlier Changes (08-09-10)
  - Inpatient/Outpatient Rate Freezes (09-10)
  - Broad Provider Rate Reductions (10)
  - Health Plan Payment Reductions (10)
  - Eligibility Changes (09-10)
  - Member Payment Requirements (09-10)
  - Administrative Reductions (08-09-10)

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM  
Cumulative Budget Reduction Savings Summary

	Note/ Source	Total Fund Reductions			SFY10 Annualized
		SFY 2008	SFY 2009	SFY 2010	
<b>Provider/Plan Payments</b>					
Provider Rate Reductions (Cap) - Acute	1	-	6,028,000	64,101,000	73,411,900
Provider Rate Reductions (Cap) - ALTCS	1	-	-	25,618,000	34,157,400
Provider Rate Reductions FFS	1	-	2,594,000	7,090,400	8,300,900
Provider Rate Reductions - BHS	1	-	-	53,614,300	53,614,300
Provider Rate Reductions - DD	1	-	-	55,553,000	55,553,000
Provider Reductions - DD (Oct. Update)	1	-	-	34,902,700	34,902,700
HCG Subsidy	2	-	2,200,000	5,000,000	5,000,000
BHS Admin and Risk	1	-	-	26,120,100	26,120,100
DD Admin and Risk	1	-	-	8,216,300	8,216,300
Health Plan Admin and Risk	1	-	-	53,772,600	71,696,800
PC Admin and Risk	1	-	-	14,543,300	19,391,000
Subtotal		-	10,822,000	348,531,700	390,364,400
<b>Provider Reduced Increases</b>					
Outlier - Acute	1	15,354,600	39,442,200	69,334,000	77,190,200
Outlier - ALTCS	1	249,000	639,600	1,355,200	1,559,600
Provider Rate Freeze Hospital - Acute	1	-	24,750,000	58,300,600	66,734,100
Provider Rate Freeze Hospital - ALTCS	1	-	2,250,000	5,916,700	6,889,000
Provider Rate Freeze NFs	1	-	-	18,082,800	24,110,300
Subtotal		15,603,600	67,081,800	152,989,300	176,483,200
<b>Agency Admin</b>					
AHCCCS Admin	3	3,998,400	8,358,400	12,616,200	12,616,200
DES Admin	3	1,088,000	5,434,400	8,475,000	8,475,000
<b>Eligibility/Program</b>					
SSDI-TMC	4	-	10,326,400	10,326,400	10,326,400
KidsCare Parents	5	-	-	26,656,600	35,542,100
<b>Increased Member Costs</b>					
Part D Copay	6	-	1,500,000	4,927,400	4,927,400
KidsCare Premiums	6	-	1,130,700	5,645,100	5,645,100
Grand Total - Total Fund		20,690,000	104,653,700	570,167,700	644,379,800
Grand Total - State Match	7	8,877,800	42,064,400	157,476,200	174,870,200
Grand Total - General Fund	8	8,827,400	39,646,300	146,037,900	160,458,300

# FY 2011 Budget Update

- AHCCCS recently submitted FY 2011 budget request to Governor
- Request reflects need for \$564 million General Fund Increase
  - \$206 million is requested to replace end of ARRA funding on January 1, 2011
  - \$178 million in Caseload growth
  - \$212 million in Medical Utilization and Inflation
- Estimating current year shortfall of \$100 m
- Given the anticipated Revenue levels and the high rate of growth in the program – AHCCCS will be heavily debated in upcoming session

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM  
FY10-FY11 GENERAL FUND BUDGET SUMMARY**

	FY10 Post-ARRA Rebase	FY11 Post-ARRA Request
FY10 GF Base Approp	1,767,571,300	1,767,571,300
ARRA Adjustment	<u>(581,861,700)</u>	<u>(581,861,700)</u>
FY10 GF Revised Approp	1,185,709,600	1,185,709,600
FY09 Held Payments	27,554,900	-
Tobacco Shortfall	28,107,800	12,712,400
Caseload Increases	38,955,400	178,180,100
Medical Inflation/Utilization	-	212,201,200
Administrative Increases	-	2,140,900
Policy/Technical Issues	-	9,990,300
Regular FMAP Change	-	(58,187,000)
Total Rebase/Request	<u>94,618,100</u>	<u>357,037,900</u>
ARRA Shortfall/Backfill	<u>41,590,700</u>	<u>206,944,900</u>
Total General Fund Rebase/Request	<u><u>1,321,918,400</u></u>	<u><u>1,749,692,400</u></u>

**NOTES:**

1) In FY10, if the legislature provides AHCCCS the pre-ARRA shortfall amount of \$117,772,700, then the ARRA (sources and uses) shortfall can be reduced by \$23,154,600 to \$18,436,100.

2) In FY10, if the legislature provides AHCCCS the post-ARRA shortfall amount of \$94,618,100, then the ARRA (sources and uses) shortfall remains \$41,590,700.

3) In FY11, ARRA savings is only available for the first two quarters. The Post-ARRA adjustments to the Caseload increases and Medical Inflation/Utilization increases are rough estimates.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM  
JUNE OVER JUNE CASELOAD GROWTH RATES**

	<u>June-09</u>	<u>June-10</u>	<u>June-10 over June-09</u>	<u>June-11</u>	<u>June-11 over June-10</u>
Acute Base	735,051	810,894	10.3%	847,650	4.5%
Proposition 204	272,517	353,168	29.6%	370,256	4.8%
Freedom to Work	1,092	1,129	3.4%	1,164	3.1%
Breast and Cervical	138	151	9.4%	166	9.9%
IHS FFS	86,243	92,648	7.4%	94,733	2.3%
ALTCS	26,784	28,162	5.1%	29,616	5.2%
Kidscare	<u>51,473</u>	<u>50,499</u>	<u>-1.9%</u>	<u>53,024</u>	<u>5.0%</u>
Total	1,173,298	1,336,651	13.9%	1,396,609	4.5%

**Notes:**

- 1) All amounts are regular member months with the exception of IHS which is beginning of the month enrollment.
- 2) Amounts do not include prior period member months or births.
- 3) Acute Base includes CMDP.
- 4) ALTCS includes EPD, VD, and Tribes.

# Consultation Input

- FY 2010 Options Comments -