ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
FY09 BUDGET REDUCTION IMPACTS

Budget Reductions:	GF	Attainable	Lump Sum
Laws 2009, First Special Session, Chapter 1:			
Section 3: Appropriation reductions	24,931,100		
HCG		2,200,000	2,800,000
Rollback DES IT		1,300,000	-
Rollback GME[1]		7,000,000	-
Lump Sum		-	8,356,100
Optional Benefits		-	3,275,000
Subtotal Appropriation Reductions	24,931,100	10,500,000	14,431,100
Section 6: Personnel Service Lump Sum	1,746,400	1,746,400	
Section 9: Additional Approp Reductions			
Cost Sharing DRA Premiums	75,000	-	75,000
Implement DRA Alt Benefit package	42,000	-	42,000
Subtotal Additional Approp Reductions	117,000	-	117,000
Laws 2009, First Special Session, Chapter 4:			
Section 7 and 10 - Eliminate DSH	13,124,500		
MIHS Funding		4,202,300	-
Private DSH[2]		8,751,000	171,200
Subtotal DSH	13,124,500	12,953,300	171,200
Total Budget Reductions	39,919,000	25,199,700	14,719,300

Notes:
1) AHCCCS is seeking further dialog with CMS to determine if the full amount on the rollback of GME will be available based on the GME language in the State Plan.
2) The $171,200 in GF represents state match for $500,000 in private DSH that has been submitted to CMS for approval. Per Federal Statute, AHCCCS must make a minimal payment to all qualifying hospitals in order to participate in the DSH program.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
FY09 BUDGET REDUCTION IMPACTS

	General Fund	Estimated Total Fund[5]
Lump Sum Allocation:		
Rural Hospital Funding - Leaves $537,500 (5/1/09)	3,611,100	14,450,200
Additional Administrative Reductions	1,306,800	2,613,600
County Prop 204 Hold Harmless[4] (6/15/09)	4,825,600	4,825,600
Eliminate Part D Copays (2/28/09)	1,500,000	1,500,000
Implement 5% FFS Reduction (2/1/09)	1,021,800	4,088,800
KidsCare and Parents Premiums Increase (5/1/09)	270,000	1,130,700
Acute Care Rates - Provider 5% reduction (4/1/09 - 5/1/09)	1,384,000	5,538,400
Retro Claim Out-of-State Hosp (6/1/09)[6]	400,000	1,183,400
Retro COB Claim (6/1/09)[7]	400,000	1,183,400
Total Lump Sum Reductions	14,719,300	36,514,100
Attainable Reductions:		
HCG	2,200,000	2,200,000
Rollback DES IT	1,300,000	2,600,000
Rollback GME[1,3]	7,000,000	20,449,900
Personnel Services Reduction	1,746,400	3,492,800
DSH Reduction		
MIHS	4,202,300	4,202,300
Private[2]	8,751,000	25,647,700
Total Attainable Reductions	25,199,700	58,592,700
GRAND TOTAL AHCCCS REDUCTIONS	39,919,000	95,106,800

Notes:
1) AHCCCS is seeking further dialog with CMS to determine if the full amount on the rollback of GME will be available based on the GME language in the State Plan.
2) The $8,751,000 represents the difference between the FY09 Private DSH appropriation and the $171,200 that will be used as state match for $500,000 in private DSH that will be paid out if approved by CMS.
3) Although the increased FMAP provisions do apply to GME, the total fund available for GME is limited based on language in the State Plan.
4) The $4,825,600 for County Hold Harmless includes $234,200 for Graham County, $3,817,800 for Pima County, $234,400 for Greenlee County, $159,700 for La Paz County, $214,800 for Santa Cruz County, and $164,700 for Yavapai County.
5) For matchable programmatic lines the estimated total fund impact is based on the projected FMAP increase in the Federal Stimulus of 75.01%.
6) This figure represents a retroactive adjustment to out-of-state hospital payments.
7) This figure represents claims AHCCCS discovered retroactively that should have been paid by Blue Cross Blue Shield, a commercial health insurer, as the primary payer. Under federal law, Medicaid must be the payer of last resort.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
FEDERAL FMAP INCREASE PROPOSAL BY AGENCY

	Unemployment Tier 2 - State Match by SFY				
	SFY09	SFY10	SFY11	SFY12+	Total
AHCCCS - GF	342,642,700	489,736,400	261,202,300	14,647,600	1,108,229,000
AHCCCS - County	48,187,700	67,003,600	37,061,300	1,999,600	154,252,200
ADHS	79,626,200	121,130,800	68,531,900	-	269,288,900
ADES	62,476,800	91,544,500	49,875,000	-	203,896,300
Total State Match	532,933,400	769,415,300	416,670,500	16,647,200	1,735,666,400
GF Savings	484,745,700	702,411,700	379,609,200	14,647,600	1,581,414,200
County Savings	48,187,700	67,003,600	37,061,300	1,999,600	154,252,200

	Unemployment Tier 2 for First 2 Quarters then Tier 3 - State Match by SFY				
	SFY09	SFY10	SFY11	SFY12+	Total
AHCCCS - GF	354,562,200	538,418,700	287,154,000	16,102,800	1,196,237,700
AHCCCS - County	49,795,500	73,664,300	40,743,100	2,198,000	166,400,900
ADHS	82,307,800	133,171,600	75,340,700	-	290,820,100
ADES	64,578,900	100,644,600	54,830,200	-	220,053,700
Total State Match	551,244,400	845,899,200	458,068,000	18,300,800	1,873,512,400
GF Savings	501,448,900	772,234,900	417,324,900	16,102,800	1,707,111,500
County Savings	49,795,500	73,664,300	40,743,100	2,198,000	166,400,900

Notes:

1) Estimated savings are based primarily on AHCCCS December Rebase budget (adjusted for zero inflation)

2) Savings extend into SFY2012 due to the tail on reinsurance payments which is claimed based on the date of service FMAP. Some may actually extend into SFY13, however, the majority would be in by SFY12.

3) ALTCS county share percentage used:
   - SFY09 - 61.4% (based on revised ALTCS appropriation)
   - SFY10+ - 59.3% (based on JLBC Baseline recommendation)

4) County savings is applicable to the AHCCCS portion only.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
FEDERAL FMAP INCREASE PROPOSAL BY COMPONENT

	Unemployment Tier 2 - State Match by SFY				
	SFY09	SFY10	SFY11	SFY12+	Total
Hold Harmless	24,800,900	37,003,300	20,248,200	809,200	82,861,600
General 6.2%	357,596,100	515,432,500	278,980,800	11,146,000	1,163,155,400
Unemployment	150,536,400	216,979,500	117,441,500	4,692,000	489,649,400
Total State Match	532,933,400	769,415,300	416,670,500	16,647,200	1,735,666,400
GF Savings	484,745,700	702,411,700	379,609,200	14,647,600	1,581,414,200
County Savings	48,187,700	67,003,600	37,061,300	1,999,600	154,252,200

	Unemployment Tier 2 for First 2 Quarters then Tier 3 - State Match by SFY				
	SFY09	SFY10	SFY11	SFY12+	Total
Hold Harmless	24,800,900	37,003,300	20,248,200	809,200	82,861,600
General 6.2%	357,596,100	515,432,500	278,980,800	11,146,000	1,163,155,400
Unemployment	168,847,400	293,463,400	158,839,000	6,345,600	627,495,400
Total State Match	551,244,400	845,899,200	458,068,000	18,300,800	1,873,512,400
GF Savings	501,448,900	772,234,900	417,324,900	16,102,800	1,707,111,500
County Savings	49,795,500	73,664,300	40,743,100	2,198,000	166,400,900

Notes:
1) Estimated savings are based primarily on AHCCCS December Rebase budget (adjusted for zero inflation) and include AHCCCS, ADHS (BHS and CRS), and DES DD expenditure savings.
2) Savings extend into SFY2012 due to the tail on reinsurance payments which is claimed based on the date of service FMAP. Some may actually extend into SFY13, however, the majority would be in by SFY12.

FY '10
Sample Budget Scenario and Use of Federal Assistance*

January JLBC Baseline FY '10 shortfall	$(3.0) B
Continue '09 Special Session changes	0.6
Revised shortfall	(2.4)
- Medicaid match savings	0.7
- Stabilization fund backfill	0.6
Remaining shortfall	$(1.1) B

* Only for display purposes – does not reflect a member or staff proposal.

JLBC

Benchmark Benefits Flexibility under the DRA
Arizona Fact Sheet

Background

- In January 2009, Governor Brewer called a Special Session of the Legislature to address Arizona's mounting budget deficit. The Legislature responded in part by passing Ariz. Rev. Stat. § 36-2907.02, which directs AHCCCS to establish a mandatory "benchmark benefit package" for certain AHCCCS eligible persons, in lieu of the traditional AHCCCS benefit package.
- In recognition of Medicaid's increasing role in covering nontraditional populations, section 6044 of the federal Deficit Reduction Act (DRA) of 2005[1] gave states substantial flexibility in developing alternative benefit packages. This has enabled states to adapt their Medicaid benefits to the specific needs of individual populations, rather than the one-size-fits-all approach.
- Traditionally, Medicaid covered only elderly and disabled individuals and very low income families with children; however, in Arizona, pursuant to Arizona Proposition 204 passed by voters in 2000, AHCCCS now covers all individuals with income below 100%.

Benchmark Benefit Packages under the DRA

- Under federal law, Arizona can elect to provide benefits equal to coverage under one or more of the following benchmarks:
    1. The standard Blue Cross/Blue Shield preferred provider option under the Federal Employee Health Benefit Plan,
    2. A health benefits plan offered to state employees,
    3. The plan offered by the commercial health maintenance organization with the largest non-Medicaid enrollment in the state, or
    4. Any other plan approved by the Secretary of the Department of Health & Human Services that provides appropriate coverage to meet the needs of the covered population.
- In developing the benchmark benefit, AHCCCS will complete a benefit-by-benefit comparison of the standard AHCCCS benefit package with the state employee benefit plan, examine current utilization by the eligible populations, and consider the unique needs of urban and rural individuals.

Eligible Populations

- Ariz. Rev. Stat. § 36-2907.02 mandates enrollment of the following AHCCCS members into the benchmark plan:
    - The Proposition 204 expansion population, which is generally childless adults, and
    - Adults over age 18 receiving Transitional Medical Assistance, which includes families whose earned income has increased above the AHCCCS income limit but remains below 185% FPL. AHCCCS eligibility for TMA ends after two six-month periods.
- Children under age 19 will continue to receive the full benefit available under the Early Periodic Screening Diagnosis and Treatment program.

Process Description

- In developing an appropriate benchmark plan, AHCCCS will conduct stakeholder meetings to solicit feedback.
- AHCCCS must submit the final proposal to the U.S. Department of Health & Human Services Centers for Medicare and Medicaid Services for approval.
- AHCCCS will amend contracts with the Health Plans and develop a new capitation rate.
- Affected members will be notified in advance of any changes to their benefits.

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[1] Public Law 109-171; codified at 42 U.S.C. § 1396u-7

Service Comparison Chart
For the Benchmark Benefit Package

CMS Class	Services	Current Medicaid Coverage	State Employee Plan limits ✓ = Substantially equiv coverage by State Employee plan	Proposed Benchmark Plan
M	Inpatient Hospital	✓	✓	
M*	Outpatient Hospital (*except for rural health care)	✓	✓	
M	Other lab and x-rays	✓	✓	
M	Nursing facility	✓	✓Skilled nursing facility/rehabilitation hospital or sub-acute facilities. 90 day limit per Member per plan year	
	Nursing facility services if under 21 yrs	✓	✓Skilled nursing facility/rehabilitation hospital or sub-acute facilities. 90 day limit per Member per plan year	
M	EPSDT (under 21)	✓	✓	
M	Family Planning Services	✓	✓	
M	Physician, Medical and surgical services	✓	✓	
	Podiatry	✓	✓	
	Optometrist Services following Cataract Surgery	✓	✓	
	Chiropractor		✓Chiropractic and osteopathic. Includes all spinal manipulation or treatment regardless of provider type. Limited to 20 visits per Member per plan year.	
	Other Licensed Practitioner	✓	✓	
M*	HHS: Intermittent/part-time nursing services by a home health agency/RN if no hha (*except for therapies)	✓	**✓ No limit but skilled only**	
M	HHS: Home health aide services	✓	Not covered	
M	HHS: Medical supplies, equipment, and appliances suitable for use in the home	✓	✓	
	Therapies provided at Home Health/Medical Rehab agency	✓	✓Limited to 60 visits per year includes PT, OT, Speech Therapy, Respiratory therapy and cardiac therapy	
	Physical Therapy	✓	✓See above	
	Occupational Therapy	✓	✓See above	

Service Comparison Chart
For the Benchmark Benefit Package

	Services for speech, hearing, and language disorders	✓	✓See above	
	Respiratory Care	✓	✓See above	
	Private Duty Nursing	✓	✓	
	Clinic Services	✓	✓	
	Dental Services - **EPSDT**	✓	In general not covered for adults or children	
	Dental Services - **Adult**		In general not covered for adults or children	
	Prescription Drugs	✓	✓	
	Dentures	✓	Not Covered	
	Prosthetic Devises	✓	✓	
	Eyeglasses - **EPSDT**	✓	✓	
	Eyeglasses - **Adults**		Not Covered	
	Screening, Diagnostic, Rehab and Preventive	✓	✓	
	Inpatient hospital and Nursing facility services for 65+ or in IMD	✓	✓	
	Intermediate care facility (ICF/MR)	✓	✓	
M*	Inpatient psych facility (*if under 21 yrs as EPSDT)	✓	✓	
M*	Nurse-midwife (*note SPA option to not provide)	✓	✓	
	Hospice Care (acute)	✓	✓	
	Case Management	✓	✓	
M	Certified pediatric/family nurse practitioner	✓	✓	
	Other medical and remedial care	✓	✓	
	Transportation	✓	Only ambulance is covered	
	Services in religious non-medical healthcare institutions	✓	Not addressed	
	Emergency hospital services	✓	✓	
N/A	Infertility Treatment		**✓Covered with high co pays**	
N/A	Hearing Aids		**✓Covered to max of 2,000**	
N/A	Mammography	✓	**✓Covered for specific ages**	
	Medical Foods/Metabolic Supplements and Gastric Disorder Formula		**✓Limited to 75% to $20,000 max per member per year.**	

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AHCCCS

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Important Notice - End of State Funds to Pay Your Medicare Part D Prescription Drug Co-Payments

February 12, 2009

You receive both Medicaid (AHCCCS) and Medicare benefits, including Medicare Part D Prescription Drug benefits. Because you are on Medicaid (AHCCCS), the State of Arizona has been paying your Medicare Part D prescription co-payments.

Unfortunately, because of the state budget deficit, AHCCCS no longer has the money to continue to pay for Medicare Part D co-payments. Under Arizona law, AHCCCS cannot spend more money on these co-payments than the state budget allows. (Arizona Laws 2008, Chapter 285, Section 3, and Arizona Revised Statutes, Section 35-154)

As a result, as of March 1, 2009, AHCCCS will no longer pay your prescription co-payments for you. As of that date, the pharmacy may require that you pay the co-payment amount before you receive drugs covered under Part D of Medicare.

Medicare Part D co-payments range from $1.10 to $6.00 per prescription, depending on whether the drug is brand name or generic.

Because this action applies to everyone who was eligible for coverage of Medicare Part D drug co-payments, you are not entitled to a hearing on this decision. See Arizona Administrative Code R9-34-319.

PARA ESPAÑOL VEA LA PARTE DE ATRAS

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La Nota importante – Fin de Fondos de Estado para Pagar Sus Co-Pagos de Medicare Parte D.

febrero 12, 2009

Usted recibe ambos beneficios Medicaid (AHCCCS) y Medicare, incluyendo co-pagos de Medicare Parte D. Porque usted está en Medicaid (AHCCCS), el Estado de Arizona ha estado pagando sus co-pagos de prescripción de Medicare Parte D.

Desafortunadamente, a causa del déficit presupuestario de estado, AHCCCS ya no tiene el dinero para continuar pagando por co-pagos de Medicare Parte D. Bajo la ley de Arizona, AHCCCS no puede gastar mas dinero en estos co-pagos que el presupuesto del estado permite. (Las Leyes de Arizona 2008, Capitulo 285, Sección 3, y Estatutos Revisados de Arizona, Sección 35-154)

Como resultado, apartir de marzo 1, 2009, AHCCCS ya no pagara sus co-pagos de prescripcion para usted. A partir de esa fecha, la farmacia puede requerir que usted pague la cantidad de co-pago antes de que usted reciba drogas cubiertas bajo Medicare Parte D.

Los co-pagos de Medicare Parte D recorren de $1.10 hasta $6.00 por prescripción dependiendo si la droga es nombre de marca o genérico.

Porque esta acción aplica a todas las personas que eran elegibles para la cobertura de los co-pagos de Medicare Parte D, usted no tendrá derecho a una audiencia en esta decisión. Vea el Código Administrativo de Arizona R9-34-319.

AHCCCS

Rural Hospital Inpatient Fund Distribution

Total RHIF Available by Pool	2008 Allocation	Estimated 2009 Allocation
Pool 1: 25 or Fewer Beds	$2,905,200	$413,875
Pool 2: 26 to 75 Beds	$5,241,111	$1,010,219
Pool 3: 76 to 100 Beds	$4,011,789	$726,806
Total	**$12,158,100**	**$2,150,900**
Pool 1: 25 or Fewer Beds		
Wickenburg Regional Health Center *	$19,032	$4,163
Copper Queen Community Hospital*	$46,725	$9,925
White Mountain Regional Medical Center*	$104,957	$18,700
Sage Memorial Hospital *	$63,825	$27,975
Benson Hospital *	$76,536	$12,077
Little Colorado Medical Center *	$861,372	$106,803
Northern Cochise Community Hospital *	$68,085	$8,720
Carondelet Holy Cross*	$734,670	$50,840
Page Hospital *	$329,038	$90,316
Southeastern Az Medical Center *	$84,736	$13,149
Cobre Valley Community Hospital*	$516,224	$71,207
Pool 1 Total	**$2,905,200**	**$413,875**
Pool 2: 26 to 75 Beds		
La Paz Regional Hospital	$170,084	$27,558
Payson Regional Medical Center	$1,369,185	$240,079
Mount Graham Regional Medical Center	$966,814	$162,714
Navapache Regional Medical Center	$1,749,848	$319,535
YRMC East	$231,602	$66,071
Valley View Medical Center	$753,579	$194,262
Pool 2 Total	**$5,241,111**	**$1,010,219**
Pool 3: 76 to 100 Beds		
Sierra Vista Regional Health	$1,575,472	$295,677
Verde Valley Medical Center	$2,436,317	$431,129
Pool 3 Total	**$4,011,789**	**$726,806**

**CAH Hospital*