

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 122
HOUSE BILL 2704

AN ACT

AMENDING SECTION 36-108.01, ARIZONA REVISED STATUTES; AMENDING SECTION 36-108.01, ARIZONA REVISED STATUTES, AS AMENDED BY THIS ACT; AMENDING SECTIONS 36-774 AND 36-2001, ARIZONA REVISED STATUTES; REPEALING SECTION 36-2002, ARIZONA REVISED STATUTES; AMENDING SECTIONS 36-2003, 36-2004 AND 36-2005, ARIZONA REVISED STATUTES; REPEALING SECTION 36-2907, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2015, CHAPTER 195, SECTION 57; AMENDING SECTION 36-2907, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2015, CHAPTER 264, SECTION 1; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 36-2930.02, 36-2930.03 AND 36-2930.04; AMENDING SECTION 36-2939, ARIZONA REVISED STATUTES; AMENDING LAWS 2015, CHAPTER 14, SECTION 24; REPEALING LAWS 2015, CHAPTER 14, SECTION 26; APPROPRIATING MONIES; RELATING TO HEALTH BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 36-108.01, Arizona Revised Statutes, is amended to
3 read:

4 36-108.01. Department of health services funds; purposes;
5 annual report

6 A. The interagency service agreement for behavioral health services
7 fund is established consisting of state and federal monies received by the
8 department to provide behavioral health services, except for monies for
9 non-title XIX behavioral health services. The department shall administer
10 the fund. ~~THE DEPARTMENT MAY USE MONIES IN THE FUND ONLY TO PAY FOR TITLE~~
11 ~~XIX BEHAVIORAL HEALTH SERVICE CLAIMS FOR SERVICES PROVIDED ON OR BEFORE JUNE~~
12 ~~30, 2016.~~ Monies in the fund are continuously appropriated.

13 ~~B. The intergovernmental agreements for county behavioral health~~
14 ~~services fund is established consisting of county monies received by the~~
15 ~~department to provide behavioral health services to persons identified~~
16 ~~through agreements with the counties. The department shall administer the~~
17 ~~fund. Monies in the fund are continuously appropriated.~~

18 ~~C.~~ B. The health services lottery monies fund is established
19 consisting of monies transferred pursuant to section 5-572, subsection C for
20 teenage pregnancy prevention programs established by Laws 1995, chapter 190,
21 sections 2 and 3, the health start program established by section 36-697 and
22 the federal women, infants and children food program. The department shall
23 administer the fund. Monies in the fund are continuously appropriated.

24 ~~D.~~ C. The intergovernmental agreements/interagency services
25 agreements fund is established consisting of all monies received by the
26 department through intergovernmental agreements, interagency services
27 agreements and transfers between the department and other state and local
28 entities. The department shall administer the fund. Monies in the fund are
29 continuously appropriated.

30 ~~E.~~ D. Beginning November 1, 2015, the department shall report
31 annually to the joint legislative budget committee on the revenues,
32 expenditures and ending balances from the previous, current and subsequent
33 fiscal years of the funds established in this section.

34 Sec. 2. Section 36-108.01, Arizona Revised Statutes, as amended by
35 section 1 of this act, is amended to read:

36 36-108.01. Department of health services funds; purposes;
37 annual report

38 ~~A. The interagency service agreement for behavioral health services~~
39 ~~fund is established consisting of state and federal monies received by the~~
40 ~~department to provide behavioral health services, except for monies for~~
41 ~~non-title XIX behavioral health services. The department shall administer~~
42 ~~the fund. The department may use monies in the fund only to pay for title~~
43 ~~XIX behavioral health service claims for services provided on or before June~~
44 ~~30, 2016. Monies in the fund are continuously appropriated.~~

45 ~~B.~~ A. The health services lottery monies fund is established
46 consisting of monies transferred pursuant to section 5-572, subsection C for

1 teenage pregnancy prevention programs established by Laws 1995, chapter 190,
2 sections 2 and 3, the health start program established by section 36-697 and
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4 administer the fund. Monies in the fund are continuously appropriated.

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6 agreements fund is established consisting of all monies received by the
7 department through intergovernmental agreements, interagency services
8 agreements and transfers between the department and other state and local
9 entities. The department shall administer the fund. Monies in the fund are
10 continuously appropriated.

11 ~~D.~~ C. ~~Beginning November 1, 2015,~~ The department shall report
12 annually to the joint legislative budget committee on the revenues,
13 expenditures and ending balances from the previous, current and subsequent
14 fiscal years of the funds established in this section.

15 Sec. 3. Section 36-774, Arizona Revised Statutes, is amended to read:

16 36-774. Medically needy account; definition

17 A. Seventy cents of each dollar in the tobacco tax and health care
18 fund shall be deposited in the medically needy account to provide health care
19 **OR BEHAVIORAL HEALTH CARE** services to persons who are determined to be
20 eligible for services pursuant to section **36-2901 OR 36-2901.01** ~~or 36-2901.04~~
21 as provided by the Arizona health care cost containment system pursuant to
22 chapter 29, article 1 of this title, **OR ANY OTHER STATUTE**, or any expansion
23 of that program or any substantially equivalent or expanded successor program
24 established by the legislature providing health care **OR BEHAVIORAL HEALTH**
25 **CARE** services to persons who cannot afford those services and for whom there
26 would otherwise be no coverage. These services shall include preventive care
27 and the treatment of catastrophic illness or injury, as provided by the
28 Arizona health care cost containment system.

29 B. The Arizona health care cost containment system administration or
30 any successor shall administer the account.

31 C. Monies that are deposited in the medically needy account:

32 1. Shall only be used to supplement monies that are appropriated by
33 the legislature for the purpose of providing levels of service that are
34 established pursuant to chapter 29, article 1 of this title to eligible
35 persons as defined in section 36-2901 or any expansion of those levels of
36 service, or for any successor program established by the legislature
37 providing levels of service that are substantially equivalent to, or
38 expanding, those provided pursuant to chapter 29, article 1 of this title to
39 eligible persons.

40 2. Shall not be used to supplant monies that are appropriated by the
41 legislature for the purpose of providing levels of service established
42 pursuant to chapter 29, article 1 of this title.

43 D. For purposes of this section, "levels of service" means the
44 provider payment methodology, eligibility criteria and covered services
45 established pursuant to chapter 29, article 1 of this title in effect on July
46 1, 1993.

1 Sec. 4. Section 36-2001, Arizona Revised Statutes, is amended to read:
2 36-2001. Addictive behavior services
3 The ~~director of the department of health services~~ ARIZONA HEALTH CARE
4 COST CONTAINMENT SYSTEM ADMINISTRATION shall establish services for addictive
5 behavior, including alcohol abuse and drug abuse.

6 Sec. 5. Repeal
7 Section 36-2002, Arizona Revised Statutes, is repealed.

8 Sec. 6. Section 36-2003, Arizona Revised Statutes, is amended to read:
9 36-2003. Powers and duties

10 A. The ~~director~~ ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
11 ADMINISTRATION may:

12 ~~1. Request recommendations or studies in specific areas from the~~
13 ~~interagency coordinating council.~~

14 ~~2.~~ 1. Accept grants, matching funds and direct payments from public
15 or private agencies for the conduct of programs and activities.

16 ~~3.~~ 2. Make contracts and incur obligations as are reasonably
17 necessary to perform the duties and functions of addictive behavior services.

18 ~~4.~~ 3. Employ and specify the duties of administrative, secretarial
19 and clerical assistants, and contract for services of outside consultants,
20 advisors and aides as are necessary to perform such duties and functions.

21 ~~5.~~ 4. Use funds, facilities and services to provide matching
22 contributions under federal or other programs ~~which~~ THAT further the
23 objectives and programs of the ~~department~~ ADMINISTRATION.

24 ~~6.~~ 5. Make such rules ~~and regulations~~ as are necessary or desirable
25 to carry out assigned responsibilities.

26 ~~7.~~ 6. Provide for appropriate programs of treatment and
27 rehabilitation consisting of halfway house treatment centers, detoxification
28 centers, recovery centers and inpatient and outpatient and traveling clinics.

29 B. The ~~director~~ ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
30 ADMINISTRATION shall:

31 1. Provide for and implement a uniform training and educational
32 program for persons who are associated with control of alcohol abuse and drug
33 abuse, prevention, rehabilitation, treatment or enforcement. Only for the
34 purpose of funding such training and educational programs, "alcohol abuse"
35 and "drug abuse" shall be considered to be one and the same.

36 2. Formulate policies, plans and programs designed to effectuate the
37 purposes of this article.

38 3. Stimulate and encourage all local, state, regional and federal
39 governmental agencies, and all private persons and enterprises ~~which~~ THAT
40 have similar and related objectives and purposes, and cooperate with such
41 agencies, persons and enterprises and correlate ~~department~~ ARIZONA HEALTH
42 CARE COST CONTAINMENT SYSTEM plans, programs and operations with those of
43 such agencies, persons and enterprises.

44 4. Conduct research on ~~his~~ THE ADMINISTRATION'S own initiative or at
45 the request of the governor, the legislature or state or local agencies,
46 pertaining to any of the section objectives.

1 5. Provide information and advice on request by local, state and
2 federal agencies and by private citizens and business enterprises on matters
3 within the scope of section activities.

4 6. Advise with and make recommendations to the governor and the
5 legislature on all matters concerning ~~its~~ THE ADMINISTRATION'S objectives.

6 7. Provide for an ongoing evaluation of the effectiveness of state and
7 local services in the areas of alcohol and drug abuse prevention, treatment,
8 rehabilitation, education and enforcement.

9 8. Evaluate and make recommendations on improving the coordination and
10 cooperation between state and local agencies and programs for prevention,
11 treatment, rehabilitation, enforcement and other areas of control of drug
12 abuse and alcohol abuse.

13 9. Prepare a state plan or state plans to discharge assigned
14 responsibilities. ~~Such~~ THE plan or plans shall include programs for alcohol
15 abuse control and drug abuse control.

16 Sec. 7. Section 36-2004, Arizona Revised Statutes, is amended to read:

17 36-2004. Designation to administer state plan

18 The ~~department~~ ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM is
19 designated as the single state agency to develop and administer the state
20 plans for alcohol and drug abuse and for alcoholism as provided in Public Law
21 91-616.

22 Sec. 8. Section 36-2005, Arizona Revised Statutes, is amended to read:

23 36-2005. Substance abuse services fund; purpose; administration

24 A. The substance abuse services fund is established. The fund shall
25 consist of monies collected pursuant to section 12-116.02 and distributed
26 pursuant to section 36-2219.01.

27 B. Subject to legislative appropriation, the ~~director of the~~
28 ~~department~~ ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION shall
29 administer the fund and may expend monies in the fund for administration of
30 the fund and for alcohol and other drug screening, education or treatment for
31 persons who have been ordered by the court to attend pursuant to sections
32 5-395.01, ~~8-249~~ 8-343, 28-1381, 28-1382 and 28-1383 and who do not have
33 sufficient financial ability to pay. Monies deposited pursuant to section
34 36-2219.01, SUBSECTION B, paragraph 4 are subject to legislative
35 appropriation and shall be accounted for separately for use in administering
36 ~~the provisions of~~ section 36-141.

37 C. Monies in the substance abuse services fund are exempt from the
38 provisions of section 35-190 relating to lapsing appropriations.

39 Sec. 9. Repeal

40 Section 36-2907, Arizona Revised Statutes, as amended by Laws 2015,
41 chapter 195, section 57, is repealed.

42 Sec. 10. Section 36-2907, Arizona Revised Statutes, as amended by Laws
43 2015, chapter 264, section 1, is amended to read:

44 36-2907. Covered health and medical services; modifications;
45 related delivery of service requirements; definition

1 A. Subject to the limitations and exclusions specified in this
2 section, contractors shall provide the following medically necessary health
3 and medical services:

4 1. Inpatient hospital services that are ordinarily furnished by a
5 hospital for the care and treatment of inpatients and that are provided under
6 the direction of a physician or a primary care practitioner. For the
7 purposes of this section, inpatient hospital services exclude services in an
8 institution for tuberculosis or mental diseases unless authorized under an
9 approved section 1115 waiver.

10 2. Outpatient health services that are ordinarily provided in
11 hospitals, clinics, offices and other health care facilities by licensed
12 health care providers. Outpatient health services include services provided
13 by or under the direction of a physician or a primary care practitioner.

14 3. Other laboratory and x-ray services ordered by a physician or a
15 primary care practitioner.

16 4. Medications that are ordered on prescription by a physician or a
17 dentist licensed pursuant to title 32, chapter 11. Persons who are dually
18 eligible for title XVIII and title XIX services must obtain available
19 medications through a medicare licensed or certified medicare advantage
20 prescription drug plan, a medicare prescription drug plan or any other entity
21 authorized by medicare to provide a medicare part D prescription drug
22 benefit.

23 5. Medical supplies, durable medical equipment, insulin pumps and
24 prosthetic devices ordered by a physician or a primary care practitioner.
25 Suppliers of durable medical equipment shall provide the administration with
26 complete information about the identity of each person who has an ownership
27 or controlling interest in their business and shall comply with federal
28 bonding requirements in a manner prescribed by the administration.

29 6. For persons who are at least twenty-one years of age, treatment of
30 medical conditions of the eye, excluding eye examinations for prescriptive
31 lenses and the provision of prescriptive lenses.

32 7. Early and periodic health screening and diagnostic services as
33 required by section 1905(r) of title XIX of the social security act for
34 members who are under twenty-one years of age.

35 8. Family planning services that do not include abortion or abortion
36 counseling. If a contractor elects not to provide family planning services,
37 this election does not disqualify the contractor from delivering all other
38 covered health and medical services under this chapter. In that event, the
39 administration may contract directly with another contractor, including an
40 outpatient surgical center or a noncontracting provider, to deliver family
41 planning services to a member who is enrolled with the contractor that elects
42 not to provide family planning services.

43 9. Podiatry services **THAT ARE PERFORMED BY A PODIATRIST WHO IS**
44 **LICENSED PURSUANT TO TITLE 32, CHAPTER 7 AND** ordered by a primary care
45 physician or primary care practitioner.

46 10. Nonexperimental transplants approved for title XIX reimbursement.

1 11. Ambulance and nonambulance transportation, except as provided in
2 subsection G of this section.

3 12. Hospice care.

4 13. Orthotics, if all of the following apply:

5 (a) The use of the orthotic is medically necessary as the preferred
6 treatment option consistent with medicare guidelines.

7 (b) The orthotic is less expensive than all other treatment options or
8 surgical procedures to treat the same diagnosed condition.

9 (c) The orthotic is ordered by a physician or primary care
10 practitioner.

11 B. The limitations and exclusions for health and medical services
12 provided under this section are as follows:

13 1. Circumcision of newborn males is not a covered health and medical
14 service.

15 2. For eligible persons who are at least twenty-one years of age:

16 (a) Outpatient health services do not include occupational therapy or
17 speech therapy.

18 (b) Prosthetic devices do not include hearing aids, dentures, ~~bone~~
19 ~~anchored~~ BONE-ANCHORED hearing aids or cochlear implants. Prosthetic
20 devices, except prosthetic implants, may be limited to twelve thousand five
21 hundred dollars per contract year.

22 (c) Percussive vests ~~and orthotics~~ are not covered health and medical
23 services.

24 (d) Durable medical equipment is limited to items covered by medicare.

25 ~~(e) Podiatry services do not include services performed by a~~
26 ~~podiatrist.~~

27 ~~(f)~~ (e) Nonexperimental transplants do not include ~~pancreas-only~~
28 PANCREAS-ONLY transplants.

29 ~~(g)~~ (f) Bariatric surgery procedures, including laparoscopic and open
30 gastric bypass and restrictive procedures, are not covered health and medical
31 services.

32 C. The system shall pay noncontracting providers only for health and
33 medical services as prescribed in subsection A of this section and as
34 prescribed by rule.

35 D. The director shall adopt rules necessary to limit, to the extent
36 possible, the scope, duration and amount of services, including maximum
37 limitations for inpatient services that are consistent with federal
38 regulations under title XIX of the social security act (P.L. 89-97; 79 Stat.
39 344; 42 United States Code section 1396 (1980)). To the extent possible and
40 practicable, these rules shall provide for the prior approval of medically
41 necessary services provided pursuant to this chapter.

42 E. The director shall make available home health services in lieu of
43 hospitalization pursuant to contracts awarded under this article. For the
44 purposes of this subsection, "home health services" means the provision of
45 nursing services, home health aide services or medical supplies, equipment
46 and appliances that are provided on a part-time or intermittent basis by a

1 licensed home health agency within a member's residence based on the orders
2 of a physician or a primary care practitioner. Home health agencies shall
3 comply with the federal bonding requirements in a manner prescribed by the
4 administration.

5 F. The director shall adopt rules for the coverage of behavioral
6 health services for persons who are eligible under section 36-2901, paragraph
7 6, subdivision (a). ~~The administration shall contract with the department of~~
8 ~~health services for the delivery of all medically necessary behavioral health~~
9 ~~services to persons who are eligible under rules adopted pursuant to this~~
10 ~~subsection. The division of behavioral health in the department of health~~
11 ~~services~~ THE ADMINISTRATION ACTING THROUGH THE REGIONAL BEHAVIORAL HEALTH
12 AUTHORITIES shall establish a diagnostic and evaluation program to which
13 other state agencies shall refer children who are not already enrolled
14 pursuant to this chapter and who may be in need of behavioral health
15 services. In addition to an evaluation, the ~~division of behavioral health~~
16 ADMINISTRATION ACTING THROUGH REGIONAL BEHAVIORAL HEALTH AUTHORITIES shall
17 also identify children who may be eligible under section 36-2901, paragraph
18 6, subdivision (a) or section 36-2931, paragraph 5 and shall refer the
19 children to the appropriate agency responsible for making the final
20 eligibility determination.

21 G. The director shall adopt rules for the provision of transportation
22 services and rules providing for copayment by members for transportation for
23 other than emergency purposes. Subject to approval by the centers for
24 medicare and medicaid services, nonemergency medical transportation shall not
25 be provided except for stretcher vans and ambulance transportation. Prior
26 authorization is required for transportation by stretcher van and for
27 medically necessary ambulance transportation initiated pursuant to a
28 physician's direction. Prior authorization is not required for medically
29 necessary ambulance transportation services rendered to members or eligible
30 persons initiated by dialing telephone number 911 or other designated
31 emergency response systems.

32 H. The director may adopt rules to allow the administration, at the
33 director's discretion, to use a second opinion procedure under which surgery
34 may not be eligible for coverage pursuant to this chapter without
35 documentation as to need by at least two physicians or primary care
36 practitioners.

37 I. If the director does not receive bids within the amounts budgeted
38 or if at any time the amount remaining in the Arizona health care cost
39 containment system fund is insufficient to pay for full contract services for
40 the remainder of the contract term, the administration, on notification to
41 system contractors at least thirty days in advance, may modify the list of
42 services required under subsection A of this section for persons defined as
43 eligible other than those persons defined pursuant to section 36-2901,
44 paragraph 6, subdivision (a). The director may also suspend services or may
45 limit categories of expense for services defined as optional pursuant to
46 title XIX of the social security act (P.L. 89-97; 79 Stat. 344; 42 United

1 States Code section 1396 (1980)) for persons defined pursuant to section
2 36-2901, paragraph 6, subdivision (a). Such reductions or suspensions do not
3 apply to the continuity of care for persons already receiving these services.

4 J. Additional, reduced or modified hospitalization and medical care
5 benefits may be provided under the system to enrolled members who are
6 eligible pursuant to section 36-2901, paragraph 6, subdivision (b), (c), (d)
7 or (e).

8 K. All health and medical services provided under this article shall
9 be provided in the geographic service area of the member, except:

10 1. Emergency services and specialty services provided pursuant to
11 section 36-2908.

12 2. That the director may permit the delivery of health and medical
13 services in other than the geographic service area in this state or in an
14 adjoining state if the director determines that medical practice patterns
15 justify the delivery of services or a net reduction in transportation costs
16 can reasonably be expected. Notwithstanding the definition of physician as
17 prescribed in section 36-2901, if services are procured from a physician or
18 primary care practitioner in an adjoining state, the physician or primary
19 care practitioner shall be licensed to practice in that state pursuant to
20 licensing statutes in that state similar to title 32, chapter 13, 15, 17 or
21 25 and shall complete a provider agreement for this state.

22 L. Covered outpatient services shall be subcontracted by a primary
23 care physician or primary care practitioner to other licensed health care
24 providers to the extent practicable for purposes including, but not limited
25 to, making health care services available to underserved areas, reducing
26 costs of providing medical care and reducing transportation costs.

27 M. The director shall adopt rules that prescribe the coordination of
28 medical care for persons who are eligible for system services. The rules
29 shall include provisions for the transfer of patients, the transfer of
30 medical records and the initiation of medical care.

31 N. For the purposes of this section, "ambulance" has the same meaning
32 prescribed in section 36-2201.

33 Sec. 11. Title 36, chapter 29, article 1, Arizona Revised Statutes, is
34 amended by adding sections 36-2930.02, 36-2930.03 and 36-2930.04, to read:

35 36-2930.02. Intergovernmental agreements for county behavioral
36 health services fund; purpose

37 THE INTERGOVERNMENTAL AGREEMENTS FOR COUNTY BEHAVIORAL HEALTH SERVICES
38 FUND IS ESTABLISHED CONSISTING OF COUNTY MONIES RECEIVED BY THE
39 ADMINISTRATION TO PROVIDE BEHAVIORAL HEALTH SERVICES TO PERSONS IDENTIFIED
40 THROUGH AGREEMENTS WITH THE COUNTIES. THE ADMINISTRATION SHALL ADMINISTER
41 THE FUND. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED.

42 36-2930.03. 340B drug pricing; requirements; applicability;
43 report; definitions

44 A. BEGINNING THE LATER OF JANUARY 1, 2017 OR ON APPROVAL BY THE
45 CENTERS FOR MEDICARE AND MEDICAID SERVICES:

1 1. 340B COVERED ENTITIES SHALL SUBMIT POINT-OF-SALE PRESCRIPTION AND
2 PHYSICIAN-ADMINISTERED DRUG CLAIMS FOR MEMBERS FOR DRUGS THAT ARE IDENTIFIED
3 IN THE 340B PRICING FILE, WHETHER OR NOT THE DRUGS ARE PURCHASED UNDER THE
4 340B DRUG PRICING PROGRAM. THE CLAIMS SHALL INCLUDE A PROFESSIONAL FEE AND
5 THE LESSER OF EITHER:

6 (a) THE ACTUAL ACQUISITION COST.

7 (b) THE 340B CEILING PRICE.

8 2. THE ADMINISTRATION OR A CONTRACTOR SHALL REIMBURSE CLAIMS FOR DRUGS
9 THAT ARE IDENTIFIED IN THE 340B PRICING FILE AND THAT ARE DISPENSED BY 340B
10 COVERED ENTITIES OR ADMINISTERED BY 340B COVERED ENTITY PROVIDERS, WHETHER OR
11 NOT THE DRUGS ARE PURCHASED UNDER THE 340B DRUG PRICING PROGRAM, AT THE
12 AMOUNT SUBMITTED PURSUANT TO PARAGRAPH 1 OF THIS SUBSECTION PLUS A
13 PROFESSIONAL FEE AS DETERMINED BY THE ADMINISTRATION UNLESS A CONTRACT
14 BETWEEN THE 340B COVERED ENTITY AND THE ADMINISTRATION OR A CONTRACTOR
15 SPECIFIES A DIFFERENT PROFESSIONAL FEE.

16 3. THE ADMINISTRATION AND ITS CONTRACTORS MAY NOT REIMBURSE ANY
17 CONTRACTED PHARMACY FOR DRUGS DISPENSED AS PART OF THE 340B DRUG PRICING
18 PROGRAM. THE ADMINISTRATION AND ITS CONTRACTORS SHALL REIMBURSE CONTRACTED
19 PHARMACIES FOR DRUGS THAT ARE NOT PURCHASED, DISPENSED OR ADMINISTERED AS
20 PART OF OR SUBJECT TO THE 340B DRUG PRICING PROGRAM. A CONTRACTED PHARMACY
21 SHALL BE REIMBURSED AT THE PRICE AND PROFESSIONAL FEE SET FORTH IN THE
22 CONTRACT BETWEEN THE CONTRACTED PHARMACY AND THE ADMINISTRATION OR ITS
23 CONTRACTORS.

24 B. THIS SECTION DOES NOT REQUIRE THE ADMINISTRATION OR ITS CONTRACTORS
25 TO REIMBURSE A PHARMACY THAT DOES NOT HAVE A CONTRACT WITH THE ADMINISTRATION
26 OR ITS CONTRACTORS.

27 C. THIS SECTION DOES NOT APPLY TO LICENSED HOSPITALS AND OUTPATIENT
28 FACILITIES THAT ARE OWNED OR OPERATED BY A LICENSED HOSPITAL.

29 D. ON OR BEFORE NOVEMBER 1, 2016, THE ADMINISTRATION SHALL REPORT TO
30 THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF
31 REPRESENTATIVES AND THE JOINT LEGISLATIVE BUDGET COMMITTEE REGARDING THE
32 TECHNOLOGICAL FEASIBILITY AND COSTS OF APPLYING THIS SECTION TO LICENSED
33 HOSPITALS AND OUTPATIENT FACILITIES THAT ARE OWNED OR OPERATED BY A LICENSED
34 HOSPITAL.

35 E. FOR THE PURPOSES OF THIS SECTION:

36 1. "340B CEILING PRICE" MEANS THE MAXIMUM PRICE THAT DRUG
37 MANUFACTURERS MAY CHARGE COVERED ENTITIES PARTICIPATING IN THE 340B DRUG
38 PRICING PROGRAM AS REPORTED BY THE DRUG MANUFACTURER TO THE UNITED STATES
39 DEPARTMENT OF HEALTH AND HUMAN SERVICES. THE 340B CEILING PRICE PER UNIT IS
40 DEFINED AS THE AVERAGE MANUFACTURER PRICE MINUS THE FEDERAL UNIT REBATE
41 AMOUNT.

42 2. "340B COVERED ENTITY" MEANS A COVERED ENTITY AS DEFINED BY 42
43 UNITED STATES CODE SECTION 256b THAT PARTICIPATES IN THE 340B DRUG PRICING
44 PROGRAM.

45 3. "340B DRUG PRICING PROGRAM" MEANS THE DISCOUNT DRUG PURCHASING
46 PROGRAM DESCRIBED IN 42 UNITED STATES CODE SECTION 256b.

1 4. "ACTUAL ACQUISITION COST" MEANS THE PURCHASE PRICE OF A DRUG PAID
2 BY A PHARMACY NET OF ALL DISCOUNTS, REBATES, CHARGEBACKS AND OTHER
3 ADJUSTMENTS TO THE PRICE OF THE DRUG, NOT INCLUDING PROFESSIONAL FEES.

4 5. "ADMINISTRATION" HAS THE SAME MEANING PRESCRIBED IN SECTION 36-2901
5 AND INCLUDES THE ADMINISTRATION'S CONTRACTED PHARMACY BENEFITS MANAGER.

6 6. "CONTRACTED PHARMACY" MEANS A SEPARATE PHARMACY WITH WHICH A 340B
7 COVERED ENTITY CONTRACTS TO PROVIDE COMPREHENSIVE PHARMACY SERVICES USING
8 MEDICATIONS THAT ARE SUBJECT TO 340B DRUG PRICING.

9 7. "CONTRACTOR" HAS THE SAME MEANING PRESCRIBED IN SECTION 36-2901 AND
10 INCLUDES A CONTRACTOR'S PHARMACY BENEFITS MANAGER.

11 8. "PROFESSIONAL FEE" MEANS THE AMOUNT PAID FOR THE PROFESSIONAL
12 SERVICES PROVIDED BY THE PHARMACIST FOR DISPENSING A PRESCRIPTION.
13 PROFESSIONAL FEE DOES NOT INCLUDE ANY PAYMENT FOR THE DRUG BEING DISPENSED.

14 36-2930.04. Delivery system reform incentive payment fund;
15 purpose; exemption; expenditure plan review

16 A. THE DELIVERY SYSTEM REFORM INCENTIVE PAYMENT FUND IS ESTABLISHED.
17 THE FUND SHALL BE USED TO PAY ALL COSTS INCURRED PURSUANT TO THE SECTION 1115
18 WAIVER AUTHORITY ASSOCIATED WITH DELIVERY SYSTEM REFORM INCENTIVE PAYMENTS
19 AND DESIGNATED STATE HEALTH PROGRAMS.

20 B. THE ADMINISTRATION SHALL ADMINISTER THE FUND, AND THE FUND IS
21 CONTINUOUSLY APPROPRIATED. ON NOTICE FROM THE ADMINISTRATION, THE STATE
22 TREASURER SHALL INVEST AND DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION
23 35-313, AND MONIES EARNED FROM INVESTMENT SHALL BE CREDITED TO THE FUND.

24 C. SEPARATE ACCOUNTS MAY BE ESTABLISHED WITHIN THE FUND FOR EACH
25 DESIGNATED STATE HEALTH PROGRAM.

26 D. THE DELIVERY SYSTEM REFORM INCENTIVE PAYMENT FUND CONSISTS OF:

27 1. ALL MONIES DEPOSITED IN THE FUND PURSUANT TO THE SECTION 1115
28 WAIVER AUTHORITY ASSOCIATED WITH DELIVERY SYSTEM REFORM INCENTIVE PAYMENTS
29 AND DESIGNATED STATE HEALTH PROGRAMS.

30 2. GIFTS, DONATIONS AND GRANTS FROM ANY SOURCE.

31 3. FEDERAL MONIES AVAILABLE TO THIS STATE.

32 4. INTEREST ON MONIES DEPOSITED IN THE FUND.

33 E. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF SECTION
34 35-190, RELATING TO LAPSING OF APPROPRIATIONS.

35 F. BEFORE THE INITIAL DEPOSIT OF ANY MONIES IN THE FUND, THE
36 ADMINISTRATION SHALL SUBMIT AN EXPENDITURE PLAN FOR REVIEW BY THE JOINT
37 LEGISLATIVE BUDGET COMMITTEE.

38 Sec. 12. Section 36-2939, Arizona Revised Statutes, is amended to
39 read:

40 36-2939. Long-term care system services

41 A. The following services shall be provided by the program contractors
42 to members WHO ARE determined to need institutional services pursuant to this
43 article:

44 1. Nursing facility services other than services in an institution for
45 tuberculosis or mental disease.

1 2. Notwithstanding any other law, behavioral health services if these
2 services are not duplicative of long-term care services provided as of
3 January 30, 1993 under this subsection and are authorized by the program
4 contractor through the long-term care case management system. If the
5 administration is the program contractor, the administration may authorize
6 these services.

7 3. Hospice services. For the purposes of this paragraph, "hospice"
8 means a program of palliative and supportive care for terminally ill members
9 and their families or caregivers.

10 4. Case management services as provided in section 36-2938.

11 5. Health and medical services as provided in section 36-2907.

12 6. DENTAL SERVICES IN AN ANNUAL AMOUNT OF NOT MORE THAN ONE THOUSAND
13 DOLLARS PER MEMBER.

14 B. In addition to the services prescribed in subsection A of this
15 section, the department, as a program contractor, shall provide the following
16 services if appropriate to members who have a developmental disability as
17 defined in section 36-551 and are determined to need institutional services
18 pursuant to this article:

19 1. Intermediate care facility services for a member who has a
20 developmental disability as defined in section 36-551. For purposes of this
21 article, a facility shall meet all federally approved standards and may only
22 include the Arizona training program facilities, a state owned and operated
23 service center, state owned or operated community residential settings and
24 private state licensed facilities that contract with the department.

25 2. Home and community based services that may be provided in a
26 member's home, at an alternative residential setting as prescribed in section
27 36-591 or at other behavioral health alternative residential facilities
28 licensed by the department of health services and approved by the director of
29 the Arizona health care cost containment system administration and that may
30 include:

31 (a) Home health, which means the provision of nursing services, ~~or~~
32 home health aide services or medical supplies, equipment and appliances, that
33 are provided on a part-time or intermittent basis by a licensed home health
34 agency within a member's residence based on a physician's orders and in
35 accordance with federal law. Physical therapy, occupational therapy, or
36 speech and audiology services provided by a home health agency may be
37 provided in accordance with federal law. Home health agencies shall comply
38 with federal bonding requirements in a manner prescribed by the
39 administration.

40 (b) Home health aide, which means a service that provides intermittent
41 health maintenance, continued treatment or monitoring of a health condition
42 and supportive care for activities of daily living provided within a member's
43 residence.

44 (c) Homemaker, which means a service that provides assistance in the
45 performance of activities related to household maintenance within a member's
46 residence.

1 (d) Personal care, which means a service that provides assistance to
2 meet essential physical needs within a member's residence.

3 (e) Day care for persons with developmental disabilities, which means
4 a service that provides planned care supervision and activities, personal
5 care, activities of daily living skills training and habilitation services in
6 a group setting during a portion of a continuous ~~twenty-four-hour~~
7 TWENTY-FOUR-HOUR period.

8 (f) Habilitation, which means the provision of physical therapy,
9 occupational therapy, speech or audiology services or training in independent
10 living, special developmental skills, sensory-motor development, behavior
11 intervention, and orientation and mobility in accordance with federal law.

12 (g) Respite care, which means a service that provides short-term care
13 and supervision available on a ~~twenty-four-hour~~ TWENTY-FOUR-HOUR basis.

14 (h) Transportation, which means a service that provides or assists in
15 obtaining transportation for the member.

16 (i) Other services or licensed or certified settings approved by the
17 director.

18 C. In addition to services prescribed in subsection A of this section,
19 home and community based services may be provided in a member's home, in an
20 adult foster care home as prescribed in section 36-401, in an assisted living
21 home or assisted living center as defined in section 36-401 or in a level one
22 or level two behavioral health alternative residential facility approved by
23 the director by program contractors to all members who do not have a
24 developmental disability as defined in section 36-551 and are determined to
25 need institutional services pursuant to this article. Members residing in an
26 assisted living center must be provided the choice of single occupancy. The
27 director may also approve other licensed residential facilities as
28 appropriate on a ~~case-by-case~~ CASE-BY-CASE basis for traumatic brain injured
29 members. Home and community based services may include the following:

30 1. Home health, which means the provision of nursing services, home
31 health aide services or medical supplies, equipment and appliances, that are
32 provided on a part-time or intermittent basis by a licensed home health
33 agency within a member's residence based on a physician's orders and in
34 accordance with federal law. Physical therapy, occupational therapy, or
35 speech and audiology services provided by a home health agency may be
36 provided in accordance with federal law. Home health agencies shall comply
37 with federal bonding requirements in a manner prescribed by the
38 administration.

39 2. Home health aide, which means a service that provides intermittent
40 health maintenance, continued treatment or monitoring of a health condition
41 and supportive care for activities of daily living provided within a member's
42 residence.

43 3. Homemaker, which means a service that provides assistance in the
44 performance of activities related to household maintenance within a member's
45 residence.

1 4. Personal care, which means a service that provides assistance to
2 meet essential physical needs within a member's residence.

3 5. Adult day health, which means a service that provides planned care
4 supervision and activities, personal care, personal living skills training,
5 meals and health monitoring in a group setting during a portion of a
6 continuous ~~twenty-four-hour~~ TWENTY-FOUR-HOUR period. Adult day health may
7 also include preventive, therapeutic and restorative health related services
8 that do not include behavioral health services.

9 6. Habilitation, which means the provision of physical therapy,
10 occupational therapy, speech or audiology services or training in independent
11 living, special developmental skills, sensory-motor development, behavior
12 intervention, and orientation and mobility in accordance with federal law.

13 7. Respite care, which means a service that provides short-term care
14 and supervision available on a ~~twenty-four-hour~~ TWENTY-FOUR-HOUR basis.

15 8. Transportation, which means a service that provides or assists in
16 obtaining transportation for the member.

17 9. Home delivered meals, which means a service that provides for a
18 nutritious meal ~~containing~~ THAT CONTAINS at least one-third of the
19 recommended dietary allowance for an individual and ~~which~~ THAT is delivered
20 to the member's residence.

21 10. Other services or licensed or certified settings approved by the
22 director.

23 D. The amount of money expended by program contractors on home and
24 community based services pursuant to subsection C of this section shall be
25 limited by the director in accordance with the federal monies made available
26 to this state for home and community based services pursuant to subsection C
27 of this section. The director shall establish methods for the allocation of
28 monies for home and community based services to program contractors and shall
29 monitor expenditures on home and community based services by program
30 contractors.

31 E. Notwithstanding subsections A, B, C and F of this section, no
32 service may be provided that does not qualify for federal monies available
33 under title XIX of the social security act or the section 1115 waiver.

34 F. In addition to services provided pursuant to subsections A, B and C
35 of this section, the director may implement a demonstration project to
36 provide home and community based services to special populations, including
37 persons with disabilities who are eighteen years of age or younger, ARE
38 medically fragile, reside at home and would be eligible for supplemental
39 security income for the aged, blind or disabled or the state supplemental
40 payment program, except for the amount of their parent's income or resources.
41 In implementing this project, the director may provide for parental
42 contributions for the care of their child.

43 G. Subject to section 36-562, the administration by rule shall
44 prescribe a deductible schedule for programs provided to members who are
45 eligible pursuant to subsection B of this section, except that the
46 administration shall implement a deductible based on family income. In

1 determining deductible amounts and whether a family is required to have
 2 deductibles, the department shall use adjusted gross income. Families whose
 3 adjusted gross income is at least four hundred ~~per cent~~ PERCENT and less than
 4 or equal to five hundred ~~per cent~~ PERCENT of the federal poverty guidelines
 5 shall have a deductible of two ~~per cent~~ PERCENT of adjusted gross income.
 6 Families whose adjusted gross income is more than five hundred ~~per cent~~
 7 PERCENT of adjusted gross income shall have a deductible of four ~~per cent~~
 8 PERCENT of adjusted gross income. Only families whose children are under
 9 eighteen years of age and who are members who are eligible pursuant to
 10 subsection B of this section may be required to have a deductible for
 11 services. For the purposes of this subsection, "deductible" means an amount
 12 a family, whose children are under eighteen years of age and who are members
 13 who are eligible pursuant to subsection B of this section, pays for services,
 14 other than departmental case management and acute care services, before the
 15 department will pay for services other than departmental case management and
 16 acute care services.

17 Sec. 13. Laws 2015, chapter 14, section 24 is amended to read:

18 Sec. 24. Third-party liability payments; report

19 On or before December 31, 2016, the ~~department of health services, or~~
 20 ~~the state agency that administers behavioral health services for this state,~~
 21 ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM shall report to the directors of
 22 the joint legislative budget committee and the governor's office of strategic
 23 planning and budgeting on the efforts to increase third-party liability
 24 payments for behavioral health services.

25 Sec. 14. Repeal

26 Laws 2015, chapter 14, section 26 is repealed.

27 Sec. 15. ALICS; county contributions; fiscal year 2016-2017

28 A. Notwithstanding section 11-292, Arizona Revised Statutes, county
 29 contributions for the Arizona long-term care system for fiscal year 2016-2017
 30 are as follows:

31	1. Apache	\$ 625,200
32	2. Cochise	\$ 4,995,000
33	3. Coconino	\$ 1,877,300
34	4. Gila	\$ 2,112,600
35	5. Graham	\$ 1,303,500
36	6. Greenlee	\$ 33,500
37	7. La Paz	\$ 595,600
38	8. Maricopa	\$155,173,500
39	9. Mohave	\$ 7,948,800
40	10. Navajo	\$ 2,588,200
41	11. Pima	\$ 39,243,800
42	12. Pinal	\$ 14,899,800
43	13. Santa Cruz	\$ 1,930,900
44	14. Yavapai	\$ 8,391,300
45	15. Yuma	\$ 8,261,000

1 B. If the overall cost for the Arizona long-term care system exceeds
2 the amount specified in the general appropriations act for fiscal year
3 2016-2017, the state treasurer shall collect from the counties the difference
4 between the amount specified in subsection A of this section and the
5 counties' share of the state's actual contribution. The counties' share of
6 the state's contribution shall be in compliance with any federal maintenance
7 of effort requirements. The director of the Arizona health care cost
8 containment system administration shall notify the state treasurer of the
9 counties' share of the state's contribution and report the amount to the
10 director of the joint legislative budget committee. The state treasurer
11 shall withhold from any other monies payable to a county from whatever state
12 funding source is available an amount necessary to fulfill that county's
13 requirement specified in this subsection. The state treasurer may not
14 withhold distributions from the Arizona highway user revenue fund pursuant to
15 title 28, chapter 18, article 2, Arizona Revised Statutes. The state
16 treasurer shall deposit the amounts withheld pursuant to this subsection and
17 amounts paid pursuant to subsection A of this section in the long-term care
18 system fund established by section 36-2913, Arizona Revised Statutes.

19 Sec. 16. Sexually violent persons; county reimbursement; fiscal
20 year 2016-2017; deposit; tax distribution
21 withholding; definition

22 A. Notwithstanding any other law, if this state pays the costs of
23 commitment of a sexually violent individual, the county shall reimburse the
24 department of health services for thirty-one percent of these costs for
25 fiscal year 2016-2017.

26 B. The department of health services shall deposit, pursuant to
27 sections 35-146 and 35-147, Arizona Revised Statutes, the reimbursements
28 under subsection A of this section in the Arizona state hospital fund
29 established by section 36-545.08, Arizona Revised Statutes.

30 C. Each county shall make the reimbursements for these costs as
31 specified in subsection A of this section within thirty days after a request
32 by the department of health services. If the county does not make the
33 reimbursement, the superintendent of the Arizona state hospital shall notify
34 the state treasurer of the amount owed and the treasurer shall withhold the
35 amount, including any additional interest as provided in section 42-1123,
36 Arizona Revised Statutes, from any transaction privilege tax distributions to
37 the county. The treasurer shall deposit, pursuant to sections 35-146 and
38 35-147, Arizona Revised Statutes, the withholdings in the Arizona state
39 hospital fund established by section 36-545.08, Arizona Revised Statutes.

40 D. Notwithstanding any other law, a county may meet any statutory
41 funding requirements of this section from any source of county revenue
42 designated by the county, including funds of any countywide special taxing
43 district in which the board of supervisors serves as the board of directors.

44 E. County contributions made pursuant to this section are excluded
45 from the county expenditure limitations.

1 F. For the purposes of this section, "costs of commitment" means the
2 costs associated with the detainment of a person in a licensed facility under
3 the supervision of the superintendent of the Arizona state hospital before
4 the court determines that the person is sexually violent and the cost of
5 detainment of the person after the court has determined that the person is
6 sexually violent.

7 Sec. 17. Competency restoration treatment; city and county
8 reimbursement; fiscal year 2016-2017; deposit; tax
9 distribution withholding

10 A. Notwithstanding section 13-4512, Arizona Revised Statutes, if this
11 state pays the costs of a defendant's inpatient, in custody competency
12 restoration treatment pursuant to section 13-4512, Arizona Revised Statutes,
13 the city or county shall reimburse the department of health services for one
14 hundred percent of these costs for fiscal year 2016-2017.

15 B. The department of health services shall deposit, pursuant to
16 sections 35-146 and 35-147, Arizona Revised Statutes, the reimbursements
17 under subsection A of this section in the Arizona state hospital fund
18 established by section 36-545.08, Arizona Revised Statutes.

19 C. Each city and county shall make the reimbursements for these costs
20 as specified in subsection A of this section within thirty days after a
21 request by the department of health services. If the city or county does not
22 make the reimbursement, the superintendent of the Arizona state hospital
23 shall notify the state treasurer of the amount owed and the treasurer shall
24 withhold the amount, including any additional interest as provided in section
25 42-1123, Arizona Revised Statutes, from any transaction privilege tax
26 distributions to the city or county. The treasurer shall deposit, pursuant
27 to sections 35-146 and 35-147, Arizona Revised Statutes, the withholdings in
28 the Arizona state hospital fund established by section 36-545.08, Arizona
29 Revised Statutes.

30 D. Notwithstanding any other law, a county may meet any statutory
31 funding requirements of this section from any source of county revenue
32 designated by the county, including funds of any countywide special taxing
33 district in which the board of supervisors serves as the board of directors.

34 E. County contributions made pursuant to this section are excluded
35 from the county expenditure limitations.

36 Sec. 18. AHCCCS; disproportionate share payments

37 A. Disproportionate share payments for fiscal year 2016-2017 made
38 pursuant to section 36-2903.01, subsection 0, Arizona Revised Statutes,
39 include:

40 1. \$113,818,500 for a qualifying nonstate operated public hospital.
41 The Maricopa county special health care district shall provide a certified
42 public expense form for the amount of qualifying disproportionate share
43 hospital expenditures made on behalf of this state to the Arizona health care
44 cost containment system administration on or before May 1, 2017 for all state
45 plan years as required by the Arizona health care cost containment system
46 1115 waiver standard terms and conditions. The administration shall assist

1 the district in determining the amount of qualifying disproportionate share
2 hospital expenditures. Once the administration files a claim with the
3 federal government and receives federal financial participation based on the
4 amount certified by the Maricopa county special health care district, if the
5 certification is equal to or less than \$113,818,500 and the administration
6 determines that the revised amount is correct pursuant to the methodology
7 used by the administration pursuant to section 36-2903.01, Arizona Revised
8 Statutes, the administration shall notify the governor, the president of the
9 senate and the speaker of the house of representatives, shall distribute
10 \$4,202,300 to the Maricopa county special health care district and shall
11 deposit the balance of the federal financial participation in the state
12 general fund. If the certification provided is for an amount less than
13 \$113,818,500 and the administration determines that the revised amount is not
14 correct pursuant to the methodology used by the administration pursuant to
15 section 36-2903.01, Arizona Revised Statutes, the administration shall notify
16 the governor, the president of the senate and the speaker of the house of
17 representatives and shall deposit the total amount of the federal financial
18 participation in the state general fund. If the certification provided is
19 for an amount greater than \$113,818,500, the administration shall distribute
20 \$4,202,300 to the Maricopa county special health care district and shall
21 deposit \$74,605,600 of the federal financial participation in the state
22 general fund. The administration may make additional disproportionate share
23 hospital payments to the Maricopa county special health care district
24 pursuant to section 36-2903.01, subsection P, Arizona Revised Statutes, and
25 subsection B of this section.

26 2. \$28,474,900 for the Arizona state hospital. The Arizona state
27 hospital shall provide a certified public expense form for the amount of
28 qualifying disproportionate share hospital expenditures made on behalf of the
29 state to the administration on or before March 31, 2017. The administration
30 shall assist the Arizona state hospital in determining the amount of
31 qualifying disproportionate share hospital expenditures. Once the
32 administration files a claim with the federal government and receives federal
33 financial participation based on the amount certified by the Arizona state
34 hospital, the administration shall distribute the entire amount of federal
35 financial participation to the state general fund. If the certification
36 provided is for an amount less than \$28,474,900, the administration shall
37 notify the governor, the president of the senate and the speaker of the house
38 of representatives and shall distribute the entire amount of federal
39 financial participation to the state general fund. The certified public
40 expense form provided by the Arizona state hospital shall contain both the
41 total amount of qualifying disproportionate share hospital expenditures and
42 the amount limited by section 1923(g) of the social security act.

43 3. \$884,800 for private qualifying disproportionate share hospitals.
44 The Arizona health care cost containment system administration shall make
45 payments to hospitals consistent with this appropriation and the terms of the
46 section 1115 waiver, but payments are limited to those hospitals that either:

1 (a) Meet the mandatory definition of disproportionate share qualifying
2 hospitals under section 1923 of the social security act.

3 (b) Are located in Yuma county and contain at least three hundred
4 beds.

5 B. After the distributions made pursuant to subsection A of this
6 section, the allocations of disproportionate share hospital payments made
7 pursuant to section 36-2903.01, subsection P, Arizona Revised Statutes, shall
8 be made available first to qualifying private hospitals located outside of
9 the Phoenix metropolitan statistical area and the Tucson metropolitan
10 statistical area before being made available to qualifying hospitals within
11 the Phoenix metropolitan statistical area and the Tucson metropolitan
12 statistical area.

13 Sec. 19. AHCCCS transfer; counties; federal monies

14 On or before December 31, 2017, notwithstanding any other law, for
15 fiscal year 2016-2017 the Arizona health care cost containment system
16 administration shall transfer to the counties such portion, if any, as may be
17 necessary to comply with section 10201(c)(6) of the patient protection and
18 affordable care act (P.L. 111-148), regarding the counties' proportional
19 share of the state's contribution.

20 Sec. 20. County acute care contribution; fiscal year 2016-2017

21 A. Notwithstanding section 11-292, Arizona Revised Statutes, for
22 fiscal year 2016-2017 for the provision of hospitalization and medical care,
23 the counties shall contribute the following amounts:

24	1. Apache	\$ 268,800
25	2. Cochise	\$ 2,214,800
26	3. Coconino	\$ 742,900
27	4. Gila	\$ 1,413,200
28	5. Graham	\$ 536,200
29	6. Greenlee	\$ 190,700
30	7. La Paz	\$ 212,100
31	8. Maricopa	\$19,011,200
32	9. Mohave	\$ 1,237,700
33	10. Navajo	\$ 310,800
34	11. Pima	\$14,951,800
35	12. Pinal	\$ 2,715,600
36	13. Santa Cruz	\$ 482,800
37	14. Yavapai	\$ 1,427,800
38	15. Yuma	\$ 1,325,100

39 B. If a county does not provide funding as specified in subsection A
40 of this section, the state treasurer shall subtract the amount owed by the
41 county to the Arizona health care cost containment system fund and the
42 long-term care system fund established by section 36-2913, Arizona Revised
43 Statutes, from any payments required to be made by the state treasurer to
44 that county pursuant to section 42-5029, subsection D, paragraph 2, Arizona
45 Revised Statutes, plus interest on that amount pursuant to section 44-1201,
46 Arizona Revised Statutes, retroactive to the first day the funding was due.

1 If the monies the state treasurer withholds are insufficient to meet that
2 county's funding requirements as specified in subsection A of this section,
3 the state treasurer shall withhold from any other monies payable to that
4 county from whatever state funding source is available an amount necessary to
5 fulfill that county's requirement. The state treasurer may not withhold
6 distributions from the Arizona highway user revenue fund pursuant to title
7 28, chapter 18, article 2, Arizona Revised Statutes.

8 C. Payment of an amount equal to one-twelfth of the total amount
9 determined pursuant to subsection A of this section shall be made to the
10 state treasurer on or before the fifth day of each month. On request from
11 the director of the Arizona health care cost containment system
12 administration, the state treasurer shall require that up to three months'
13 payments be made in advance, if necessary.

14 D. The state treasurer shall deposit the amounts paid pursuant to
15 subsection C of this section and amounts withheld pursuant to subsection B of
16 this section in the Arizona health care cost containment system fund and the
17 long-term care system fund established by section 36-2913, Arizona Revised
18 Statutes.

19 E. If payments made pursuant to subsection C of this section exceed
20 the amount required to meet the costs incurred by the Arizona health care
21 cost containment system for the hospitalization and medical care of those
22 persons defined as an eligible person pursuant to section 36-2901, paragraph
23 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the director of
24 the Arizona health care cost containment system administration may instruct
25 the state treasurer either to reduce remaining payments to be paid pursuant
26 to this section by a specified amount or to provide to the counties specified
27 amounts from the Arizona health care cost containment system fund and the
28 long-term care system fund established by section 36-2913, Arizona Revised
29 Statutes.

30 F. It is the intent of the legislature that the Maricopa county
31 contribution pursuant to subsection A of this section be reduced in each
32 subsequent year according to the changes in the GDP price deflator. For the
33 purposes of this subsection, "GDP price deflator" has the same meaning
34 prescribed in section 41-563, Arizona Revised Statutes.

35 Sec. 21. Hospitalization and medical care contribution: fiscal
36 year 2016-2017

37 A. Notwithstanding any other law, for fiscal year 2016-2017, beginning
38 with the second monthly distribution of transaction privilege tax revenues,
39 the state treasurer shall withhold one-eleventh of the following amounts from
40 state transaction privilege tax revenues otherwise distributable, after any
41 amounts withheld for the county long-term care contribution or the county
42 administration contribution pursuant to section 11-292, subsection 0, Arizona
43 Revised Statutes, for deposit in the Arizona health care cost containment
44 system fund established by section 36-2913, Arizona Revised Statutes, for the
45 provision of hospitalization and medical care:

46 1. Apache \$ 87,300

1	2. Cochise	\$ 162,700
2	3. Coconino	\$ 160,500
3	4. Gila	\$ 65,900
4	5. Graham	\$ 46,800
5	6. Greenlee	\$ 12,000
6	7. La Paz	\$ 24,900
7	8. Mohave	\$ 187,400
8	9. Navajo	\$ 122,800
9	10. Pima	\$1,115,900
10	11. Pinal	\$ 218,300
11	12. Santa Cruz	\$ 51,600
12	13. Yavapai	\$ 206,200
13	14. Yuma	\$ 183,900

14 B. If the monies the state treasurer withholds are insufficient to
15 meet a county's funding requirement as specified in subsection A of this
16 section, the state treasurer shall withhold from any other monies payable to
17 that county from whatever state funding source is available an amount
18 necessary to fulfill that county's requirement. The state treasurer may not
19 withhold distributions from the Arizona highway user revenue fund pursuant to
20 title 28, chapter 18, article 2, Arizona Revised Statutes.

21 C. On request from the director of the Arizona health care cost
22 containment system administration, the state treasurer shall require that up
23 to three months' payments be made in advance.

24 D. In fiscal year 2016-2017, the sum of \$2,646,200 withheld pursuant
25 to subsection A of this section is allocated for the county acute care
26 contribution for the provision of hospitalization and medical care services
27 administered by the Arizona health care cost containment system
28 administration.

29 E. County contributions made pursuant to this section are excluded
30 from the county expenditure limitations.

31 Sec. 22. Transfer; interagency service agreement for behavioral
32 health services fund monies

33 All unexpended and unencumbered monies remaining in the interagency
34 service agreement for behavioral health services fund established by section
35 36-108.01, Arizona Revised Statutes, on July 1 of fiscal years 2017-2018,
36 2018-2019 and 2019-2020 are transferred to the state general fund. The
37 transfer amount may be adjusted for reported but unpaid claims and estimated
38 incurred but unreported claims, subject to the approval of the Arizona health
39 care cost containment system administration and the joint legislative budget
40 committee.

41 Sec. 23. Proposition 204 administration; county expenditure
42 limitations

43 County contributions for the administrative costs of implementing
44 sections 36-2901.01 and 36-2901.04, Arizona Revised Statutes, that are made
45 pursuant to section 11-292, subsection 0, Arizona Revised Statutes, are
46 excluded from the county expenditure limitations.

1 On or before December 1, 2016, the Arizona health care cost containment
2 system administration shall submit a report for review to the joint
3 legislative budget committee on medicaid payments for health care services
4 for the Native American population in this state. The report shall include:

5 1. An estimate of the administration's annual total fund expenditures
6 on acute care, long-term care and behavioral health services for Native
7 Americans in this state, including an estimate of total state expenditures on
8 such services. The administration shall provide separate estimates of total
9 medicaid fee-for-service expenditures and total medicaid capitation
10 expenditures for services furnished to Native Americans in this state.

11 2. An assessment of the state fiscal implications associated with
12 federal policy guidance issued by the centers for medicare and medicaid
13 services in the state health official letter #16-002 dated February 26, 2016.
14 The assessment shall include an estimate of the state fiscal impact of the
15 following policies addressed in the letter:

16 (a) The one hundred percent federal matching assistance percentage for
17 services furnished by non-Indian health service providers to Native Americans
18 in this state through a written care coordination agreement.

19 (b) The one hundred percent federal matching assistance percentage for
20 services furnished by an Indian health service facility or tribal facility
21 that did not previously qualify for a one hundred percent federal matching
22 assistance percentage, including home and community-based services,
23 transportation services and other nonfacility-based services.

24 3. A report on the administration's strategies to encourage written
25 care coordination agreements, as prescribed in the state health official
26 letter #16-002 dated February 26, 2016, between Indian health service
27 providers and non-Indian health service providers.

28 4. An analysis of the impact of the federal policy guidance issued by
29 the centers for medicare and medicaid services in the state health official
30 letter #16-002 dated February 26, 2016 on access to care, continuity of care
31 and population health for Native Americans in this state.

32 Sec. 30. [AHCCCS; emergency department use; report](#)

33 On or before December 1, 2016, the Arizona health care cost containment
34 system administration shall report to the directors of the joint legislative
35 budget committee and the governor's office of strategic planning and
36 budgeting on the use of emergency departments for nonemergency purposes by
37 Arizona health care cost containment system enrollees.

38 Sec. 31. [Hospital transparency; joint report](#)

39 On or before January 1, 2017, the director of the Arizona health care
40 cost containment system administration and the director of the department of
41 health services shall submit a joint report on hospital charge master
42 transparency to the governor, the speaker of the house of representatives and
43 the president of the senate and shall provide a copy to the secretary of
44 state. The report shall provide a summary of the current charge master
45 reporting process, a summary of hospital billed charges compared to costs and
46 examples of how charge masters or hospital prices are reported and used in

1 other states. The report shall include recommendations to improve this
2 state's use of hospital charge master information, including reporting and
3 oversight changes.

4 Sec. 32. Inpatient psychiatric treatment; report

5 A. On or before January 2, 2017, the Arizona health care cost
6 containment system administration shall report to the director of the joint
7 legislative budget committee on the availability of inpatient psychiatric
8 treatment both for adults and for children and adolescents who receive
9 services from the regional behavioral health authorities. The report shall
10 include all of the following information:

11 1. The total number of inpatient psychiatric treatment beds available
12 and the occupancy rate for those beds.

13 2. Expenditures on inpatient psychiatric treatment.

14 3. The total number of individuals in this state who are sent out of
15 state for inpatient psychiatric care.

16 4. The prevalence of psychiatric boarding or the holding of
17 psychiatric patients in emergency rooms for at least twenty-four hours before
18 transferring the patient to a psychiatric facility.

19 B. The report shall provide the information specified in subsection A
20 of this section separately for adults who are at least twenty-two years of
21 age and for children and adolescents who are twenty-one years of age or
22 younger.

23 Sec. 33. AHCCCS; 340B drug pricing; rulemaking; exemption

24 For the purposes of implementing section 36-2930.03, Arizona Revised
25 Statutes, as added by this act, relating to 340B drug pricing, the Arizona
26 health care cost containment administration is exempt from the rulemaking
27 requirements of title 41, chapter 6, Arizona Revised Statutes, for one year
28 after the effective date of this act.

29 Sec. 34. Intent; implementation of program

30 It is the intent of the legislature that for fiscal year 2016-2017 the
31 Arizona health care cost containment system administration implement a
32 program within the available appropriation.

33 Sec. 35. Effective date

34 Section 36-108.01, Arizona Revised Statutes, as amended by section 2 of
35 this act, is effective from and after August 31, 2020.

APPROVED BY THE GOVERNOR MAY 10, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 10, 2016.