June 15, 2018

The Honorable Doug Ducey  
Office of the Governor  
1700 West Washington  
Phoenix, Arizona 85007

The Honorable Steve Yarbrough  
Arizona State Senate  
1700 West Washington  
Phoenix, Arizona 85007

The Honorable J.D. Mesnard  
Speaker of the House  
Arizona House of Representatives  
1700 West Washington  
Phoenix, Arizona 85007

Dear Governor Ducey, President Yarbrough and Speaker Mesnard:

Pursuant to Laws 2018, Chapter 284, Section 13, AHCCCS is required to notify the Governor, President and Speaker if the amount certified for qualifying Disproportionate Share Hospital (DSH) expenditures by the Maricopa County Special Health Care District is less than $113,818,500. The Maricopa County Special Health Care District, in consultation with AHCCCS has certified an amount of $97,304,124 for its Fiscal Year 2018 DSH allocation.

As a result of these calculations and the CMS Section 1115 Waiver requirements, AHCCCS anticipates that for the State Fiscal Year (SFY) 2018 DSH allocation the revenues deposited into the General Fund related to the Maricopa County Special Health Care District will be $63,803,552. This amount is $11,541,897 less than originally anticipated.

The OBRA limit, which drives the amount of DSH a facility may be eligible for, is calculated based on a combination of the shortfall in Medicaid payments and the shortfall due to uninsured. The reduction in OBRA is primarily due to a reduction in the uninsured shortfall which coincides with the overall reduction to uninsured individuals in the state. The Medicaid shortfall was also lower than in prior years due to increased Graduate Medical Education expenditures.

Total statewide DSH payments are capped based on a federal allotment. Therefore, this reduction to the Maricopa County Special Health Care District will result in approximately $16.5 million in additional funding being available for the voluntary Pool 5 hospitals. Many of these hospitals are located in rural areas and the state match for this pool is provided by Arizona political subdivisions.
If you have any questions about this report, please do not hesitate to call me at (602) 417-4111.

Sincerely,

[Signature]

Thomas J. Betlach
Director

cc: Matthew Gress, Director, Governor’s Office of Strategic Planning and Budgeting
    Richard Stavneak, Director, Joint Legislative Budget Committee