

Final Report

Premium Sharing Program Implementation Recommendations

**Recommended by:
The AHCCCS Premium Sharing
Demonstration Project
Implementation Committee**

January 27, 1997

FINAL REPORT

**PREMIUM SHARING IMPLEMENTATION PROJECT
RECOMMENDATIONS**

RECOMMENDED BY:

**THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
PREMIUM SHARING DEMONSTRATION PROJECT
IMPLEMENTATION COMMITTEE**

Senator Brewer

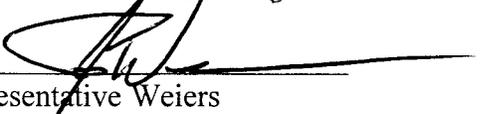


Senator Patterson

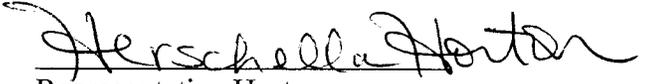
Senator Kennedy



Representative Knaperek



Representative Weiers



Representative Horton

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Background

House Bill 2508 and Senate Bill 1219 were introduced during the second regular session of the Forty-second Legislature (1996). When combined into a single plan, the legislation proposed the creation of a premium sharing program to provide uninsured low income and chronically ill individuals with access to health care services. Both plans required participants to share the cost of their premium with the state. The state portion was to be funded using the 1994 voter approved tobacco tax revenues. Both proposals required Arizona's existing Medicaid providers (AHCCCS providers) to deliver the health care services.

As introduced, SB 1219, sponsored by Senator Day, allowed individuals with a chronic illness who had been classified as MN/MI eligible for the preceding twelve consecutive months and their eligible family members to continue to receive AHCCCS benefits through participation in a premium sharing program. The goal of the proposed program was to ensure that individuals who have a chronic illness maintain continuous access to health care services.

As introduced, HB 2508, sponsored by Representative Knaperek and Representative Weiers, required most individuals in the MN/MI program to pay a portion of the cost of the premium paid by the state to entities that provide health care services to MN/MI recipients. Additionally, since much of the burden for funding the MN/MI program was being removed from the state, the bill proposed that additional persons be made eligible for the program.

Neither HB 2508 nor SB 1219 passed in their original form. After much discussion, a compromise was reached. The compromise legislation, amended onto House Bill 2508, combined the provisions of both bills. Laws 1996, Chapter 368 (HB 2508) established the Arizona Health Care Cost Containment System Premium Sharing Demonstration Project Implementation Committee. The legislation required the Committee to make recommendations to the Governor and the Legislature regarding the implementation of a premium sharing demonstration project to begin October 1, 1997. Using the provisions of the original HB 2508 and SB 1219 as the primary framework, the Committee was directed to make recommendations for the program including who would be eligible to participate. The Demonstration Project was to allow eligible persons access to medical services provided by system providers through a cost-sharing arrangement with the AHCCCS Administration. The Committee was directed to recommend eligibility criteria based on household income, citizenship, residency, insurance status, and resources.

Members of the Premium Sharing Demonstration Project Implementation Committee are: Senator Brewer and Representative Knaperek, co-chairs, and Senator Patterson, Senator Kennedy, Representative Weiers and Representative Horton. At the first meeting, the Committee members decided to form two working groups: one to make recommendations regarding the service package and the other to make recommendations regarding the structure and administration of the Demonstration Project. The working groups held more than twenty public hearings. Experts from the public and private sector were invited to actively participate in

the creation of the implementation plan. Individuals representing private organizations, public agencies and themselves participated in the working group meetings. Participants included representatives from:

- APIPA
- APS
- Arizona Association of Behavioral Health Programs
- Arizona Association of County Health Centers
- Arizona Association of Managed Care Plans
- Arizona Consortium for Children with Chronic Illness
- Arizona Health Care Cost Containment System
- Arizona Hospital Association
- Arizona Medical Association
- Arizona Physicians
- Arizona Podiatric Medical Association
- Arizona Public Policy Forum on Transplantation
- Children's Action Alliance
- Children's Health Care Coalition
- Department of Administration
- Department of Economic Security
- Department of Health Services
- Department of Insurance
- Health Care Group
- Legislative Council
- March of Dimes
- Maricopa County
- NFIB
- Samaritan Health System
- St. Joseph's Hospital/MercyCare
- University Medical Center

The Committee and working groups focused on eligibility requirements, contents of the service package, premium rates and delivery systems. When reviewing eligibility criteria for project participants, the Committee specifically reviewed incomes at or below 300% of the federal poverty guidelines. The Committee reviewed a number of service packages including those provided for state employees, health care group, AHCCCS MN/MI and AHCCCS Title XIX mandatory services, the basic benefit package, and benefit packages provided by other states that have premium sharing programs. When reviewing packages provided by other states, the Committee noted that some other states had reduced their benefit package after implementing their premium sharing program. This was done to reduce the individual cost of running the program, thus allowing more individuals to participate. The various delivery systems the Committee reviewed were those provided through AHCCCS, the Department of Insurance and Health Care Group. Additionally, the Committee directed the Arizona Health Care Cost

Containment System Administration to conduct an actuarial study to provide estimates relating to presentation rates and potential premium sharing costs based on parameters set by the Committee.

Findings

- In Arizona, approximately 600,000 adults and children are without health insurance. Adults make up the largest uninsured population (450,000) and children make up the remainder (150,000). October 1996 Flinn Foundation
- Since 1989, the number of uninsured Arizonans increased by 33%, out pacing the state's estimated population growth of 21%. October 1996 Flinn Foundation
- The predominant characteristic of the uninsured is low income, and not lack of employment. About 85% of Arizona's uninsured adults, and 92% of uninsured children, live in households with an employed main wage earner. October 1996 Finn Foundation
- About 75% of Arizona's 450,000 uninsured adults had been without health insurance for at least two years at the time of the survey. October 1996 Finn Foundation
- Most uninsured persons cite the cost of insurance as the reason they do not have it. October 1996 Finn Foundation
- Roughly 100 million Americans suffer from chronic illnesses such as diabetes, heart disease or arthritis. Most of the chronically ill (84.4 million) are between the ages of 18 and 64. November 12, 1996 Journal of American Medicine
- On average, chronically ill patients incur annual medical bills that are more than triple the medical bills incurred by people without chronic illnesses - \$3,074 per person compared to \$817. Chronically ill individuals account for four out of five days spent in hospital admissions. November 12, 1996 Journal of American Medicine
- For 1998, it is projected that most of the uninsured adults and children will live in households with an income that is less than 200% of the FPL. October 1996 Finn Foundation
- Many other states such as Hawaii, Minnesota, New Jersey, Florida, Oregon, Rhode Island, Vermont, Tennessee, Pennsylvania and Washington have premium sharing programs that provide health insurance coverage to low income families and require participants to contribute a portion of the premium. The state subsidizes the remaining portion of the premium.

1998 Projected Uninsured Populations

% of Federal Poverty Level	Children Under 21		Adults		Total	
	Number	%	Number	%	Number	%
<75%	60,000	7.52	95,000	11.97	155,000	19.49
75%-99%	44,000	5.56	51,000	6.35	95,000	11.91
100%-149%	44,000	5.46	85,000	10.74	129,000	16.20
150%-199%	58,000	7.26	82,000	10.32	140,000	17.59
200%-249%	24,000	3.05	57,000	7.14	81,000	10.19
250%-299%	17,000	2.09	49,000	6.19	66,000	8.28
>300%	24,000	3.03	106,000	13.30	130,000	16.33
Total	271,000	33.99%	525,000	66.00%	796,000	99.99%

Sources: AHCCCS, Current Populations Survey, 1993, 1994, 1995; Current Population Reports, The Bureau of the Census.

INTENT

Provide health care insurance to those otherwise unable to afford or to obtain health insurance.

Recommendations

I. Administration

- A. **Health Care Group shall be the entity responsible for administrative functions related to the Demonstration Project such as collecting the participants' premiums, billing, processing, disenrolling members who are delinquent on their payments and collecting member data.**

Health Care Group (HCG) has experience in administrating a program with similar responsibilities and HCG administrators indicated that they are able to carry out this recommendation.

- B. **The Demonstration Project shall be conducted in the following four counties: Maricopa, Pima, Pinal and Cochise.**

HB 2508 requires the Demonstration Project to take place in two urban counties and two rural counties.

II. Eligibility

- A. The Project shall have two components: one for participants who do not have a chronic illness and one for participants who do have a chronic illness. All participants shall undergo an income test. To be eligible for the Demonstration Project, household income for participants who do not have a chronic illness shall be less than 200% of the FPL; household income for participants with a chronic illness shall be less than 400% of the FPL. Chronically ill participants with a household income between 200% and 400% of the FPL shall pay the full cost of their premium. Chronically ill participants shall be required to have been on the MN/MI program for a period of at least one year after which time they may apply for the Demonstration Project. The Demonstration Project shall include a cap of 200 persons for the chronically ill population. Once a participant has been determined to be eligible for the program, the person's family is also considered eligible.**

HB 2508 requires the Committee to establish a premium sharing demonstration project. Persons who fall below 300% of the FPL may be eligible for the Demonstration Project. Of the 1998 projected uninsured population, over 65% (530,000 individuals) are below 200% of the FPL. Since it is estimated that the Demonstration Project will serve approximately 12,000 to 14,000 individuals, the Committee decided to limit participation to persons with an income of less than 200% of the FPL.

Although no state data exists that demonstrates the number of chronically ill persons in Arizona, national data shows that roughly 100 million Americans suffer from chronic illnesses such as diabetes, heart disease or arthritis. This amounts to about 84.4 million individuals; most are between the ages of 18 and 64. Because of the costly nature of chronic illnesses and the devastating effect they can have on a family's economic standing, the Committee recommends that the income level be increased to 400% for participants who suffer from a chronic illness.

- B. Income shall be calculated by multiplying by four the applicant's income for the three months immediately prior to the application for eligibility.**

For continuity and ease of administrative operation, the income test process should be similar to the income test currently being conducted by eligibility workers. Therefore, the income test calculation shall be similar to the MN/MI income test.

C. Employment shall not be a requirement for participation.

Since household income is the test of eligibility and not a person's employment status, employment shall not be a requirement. Recent studies indicate that about 85% of Arizona's uninsured adults, and 92% of Arizona's uninsured children, live in households with an employed wage earner. October 1996 Flinn Foundation

D. In order to be eligible for the Demonstration Project participants shall not have access to other health care programs, except community health centers.

Since the goal of the Demonstration Project is to provide health care coverage to the working poor and to individuals who otherwise have no access to coverage, persons who are eligible for other government subsidized health care programs, except public community health centers which are available to all individuals regardless of income, shall be ineligible for the Demonstration Project.

E. Eligibility shall be determined according to presumptive eligibility criteria which means information collected by the applicant is presumed to be accurate and truthful, with minimal verification. Participants who falsify information in order to qualify for the program shall be responsible for all fraudulent claims and immediately disqualified from the program.

Participants shall be obligated to provide specific information in order to determine eligibility, however, an overly administrative and extensive eligibility process could be costly and burdensome.

F. Eligibility may be conducted at the following locations:

- 1) County sites;**
- 2) DES locations;**
- 3) Community Health Clinics (conducted by DES workers).**

Since the counties, DES and the community health clinics currently conduct some type of eligibility process, they have the expertise and experience for conducting eligibility. According to the county, approximately 45,000 applicants for state and county health programs are denied eligibility each year; fifty percent are denied because they are over income. Many of these individuals may qualify and may be interested in participating in the Demonstration Project.

G. Participants shall demonstrate that they have gone "bare" (had no health care coverage) for a period of at least six months in order to be eligible for the Demonstration Project, except for AHCCCS members who apply for the Demonstration Project. Additionally, criteria shall be established specifying alternative "bare" periods according to the participant's circumstance.

HB 2508 requires an individual to go bare for a minimum of six months before becoming eligible for the Demonstration Program. Criteria shall be established determining the necessary bare period according to the participant's condition. Moving the AHCCCS recipient to the Demonstration Project without a break in health care coverage provides continuity of care, encourages self-sufficiency and empowers the participant to improve employment opportunities. Furthermore, flexibility of the "bare" period shall be offered according to the participant's special circumstances.

H. Participants shall undergo a financial evaluation every twelve months to determine program eligibility and a financial review after six months.

A twelve month eligibility period was justified with a six month eligibility review. This will assist in minimizing the administrative costs while assuring those eligible remain in the program and those ineligible are removed or pay the full premium.

I. Participants who voluntarily leave the Demonstration Project shall not be eligible to re-enroll for a period of 12 months.

To prevent individuals from joining the program only when they are sick and leaving when they are well, a waiting period must exist. This will attract people who desire ongoing health care coverage regardless of their current medical condition.

J. An enrollment cap shall be placed on the Demonstration Project.

Enrollment shall be limited during the Demonstration Project phase so that annual premium expenditures by the state for the project do not exceed the annual appropriation to the program.

III. Quality Review

A. AHCCCS shall conduct the quality review process and shall determine whether the counties' eligibility determinations are accurate and timely.

AHCCCS currently conducts quality review and this review process could be extended to each entity performing eligibility determinations for the Demonstration Project. In addition, since AHCCCS health plans are the insurers for this program, AHCCCS' quality of care review could be extended to this program.

B. An evaluation of the Demonstration Program shall be conducted by Legislative Council.

The final version of HB 2508 did not contain language addressing how the program is

to be evaluated. A suggested process is as follows:

1. The AHCCCS Administration shall prepare an annual report of the progress and problems incurred relating to the program start-up, administration and expenditures for the Joint Legislative Committee for the Arizona Health Care Cost Containment System (a statutory legislative committee).
2. During each year of the Demonstration Project, the Legislature should direct the Legislative Council to report on program effectiveness, efficacy, participant satisfaction, enrollment information, expenditures, and progress in reducing the number of uninsured people in Arizona.

Legislative Council has been an active participant in the development of the Demonstration Project and has told the Committee it would be willing to take on these program evaluation responsibilities.

IV. Service Package Recommendations

- A. Demonstration Project participants shall be provided with the same benefit package offered to the medically needy population with the following exceptions:**
- 1) Transplants shall be excluded, except for those who are chronically ill.**
 - 2) Limited behavioral health services shall be provided with a maximum of thirty days of inpatient behavioral health services annually; and**
 - 3) Participants shall be charged a copayment for each visit to the doctor.**
- After completion of the initial phase of the Demonstration Project the Committee shall review the possibility of adding additional services such as transplants.**

The Working Group reviewed in detail the benefits provided through AHCCCS, Health Care Group, the state employees benefit packages and the Basic Benefit Plan. After much discussion, the working group recommends that the Demonstration Project benefit package be based on the MN/MI services package with some exceptions.

- B. The AHCCCS health care delivery system and existing providers shall be used for the method of providing health care services.**

The working group debated the benefits of using an established program as opposed to creating a new program to deliver services. In order to provide a comprehensive package to the largest number of people while maintaining administrative costs, the program should use an already established program to deliver its services. Thus, the AHCCCS health care delivery system was selected.

One problem with using Health Care Group is that to provide services to Health Care Group, a health plan must be a contractor with AHCCCS. The number of health plans contracting with AHCCCS (14 providers/457,798 participants) is much larger than in

Health Care Group (4 providers/32,900 participants). Concern was raised as to whether or not the existing Health Care Group providers could cover an additional 12,000 -14,000 individuals. In some rural areas, in particular, very few individuals currently participate in Health Care Group. Additionally, Health Care Group does not provide coverage for many pre-existing conditions until a person has been in the program for twelve months. Pregnancy-related care is not covered during the first ten months of enrollment. The working group strongly recommends that pregnancy-related care be provided immediately upon enrollment and that exclusion of pre-existing conditions be carefully reviewed.

The Basic Health Plan is a guide that details the minimum components that must be included in a benefit package offered in Arizona. It does not have a dedicated delivery system like AHCCCS or Health Care Group.

C. AHCCCS contract providers who choose to deliver services to the Demonstration Project participants shall develop a marketing plan to promote the program.

In order to enhance the enrollment and encourage marketability of the Demonstration Project and to provide coverage to a maximum number of participants, providers who serve the program participants must develop a marketing plan to promote the program. This will ensure the program is publicized and healthy individuals are given the opportunity to participate.

D. Pregnancy should not be considered a “pre-existing condition” for the purpose of refusing services. There should be some flexibility when determining pre-existing conditions.

Pregnancy-related care should be provided as early as possible. Thus, any plan that is selected should provide such care from the time an individual enrolls in the program.

The working group expressed concerns about coverage for persons with pre-existing conditions. While not identifying those that should be covered immediately, the group felt that if some conditions were excluded from coverage, at the very least there should be some flexibility for exceptions. Chronically ill individuals and individuals who are receiving services through AHCCCS were two groups that were mentioned as “exceptions” to the rule.

E. Participants shall enroll all family members who are not currently insured and who have not been insured for the preceding six months.

In order to encourage healthy people to enroll in the Demonstration Project rather than to wait until one person in the family becomes ill and dependant on health care services, the whole household shall be required to enroll, except that a family member

who is employed and receives health insurance through his or her employer may continue to be insured through the employer.

V. Premiums

- A. The AHCCCS Administration shall establish the total premium costs and shall determine the premium that each enrollee shall pay based on the enrollee's gross income and household size. The premium shall not exceed four percent of the enrollee's household gross income, except for the chronically ill between 200 and 400 percent of the federal poverty level.**

HB 2508 required AHCCCS to contract with an actuary to assist the Committee in developing premium rates. As a result, AHCCCS contracted with William Mercer Inc. to analyze the Demonstration Project given the current parameters and the target population. Mercer has developed preliminary rates (see appendix C) for the Demonstration Project. Therefore, the rates for the Demonstration Project shall resemble the rates developed and presented to the working group on December 11, 1996.

After reviewing the various incomes and different household sizes the working group engaged in a long discussion of affordability and recommended that the premium rate for the enrollee not exceed 4% of the participant's gross income.

VI. Legislation

- A. Legislation is currently being drafted.**

Appendix A

Committee Minutes

ARIZONA HOUSE OF REPRESENTATIVES
Forty-second Legislature - Second Regular Session

**AHCCCS PREMIUM SHARING DEMONSTRATION PROJECT
IMPLEMENTATION COMMITTEE**

Minutes of Meeting
Thursday, January 9, 1997
House Hearing Room 3 - 9:00 a.m.

TAPE 1, SIDE A

Cochair Knaperek called the meeting to order at 9:20 a.m. and the secretary called the roll.

Members Present

Senator Kennedy
Senator Patterson

Representative Horton
Representative Weiers
Representative Knaperek, Cochair

Members Absent

Senator Brewer, Cochair

Speakers Present

Shirley Anderson, Special Assistant to the House Majority Whip
Steve Schramm, William M. Mercer, Inc.
Irene Jacobs, Senior Program Associate, Children's Action Alliance
Cochair Knaperek read names of others present to testify, but who did not speak, see Page 8)
Andy Rinde, Executive Director, Arizona Association of Community Health Centers

Guest List (Attachment 1)

Cochair Knaperek thanked Members and staff for their work on the Subcommittee, and she thanked everyone who participated in the process for their dedication. She asked Shirley Anderson to review the final draft of the Subcommittee's recommendations (Attachment 2).

PRESENTATIONS

Shirley Anderson, Special Assistant to the Majority Whip, House of Representatives, presented the recommendations of the Subcommittee. A brief explanation or the rationale or background for the recommendation was also noted.

I. Administration

- A. Health Care Group shall be the entity responsible for administrative functions related to the Premium Sharing Program such as collecting the participants' premiums, billing, processing, dis-enrolling members who are delinquent on their payments and collecting member data.
- B. The demonstration project shall be conducted in the following four counties: Maricopa, Pima, Pinal and Cochise.

II. Eligibility

- A. The program shall have two components: one for participants who do not have a chronic illness and one for participants who do have a chronic illness. All participants shall undergo an income test. To be eligible for the premium sharing program, household income for participants who do not have a chronic illness shall be less than 200 percent of the FPL; household income for participants with a chronic illness shall be less than 400 percent of the FPL. Chronically ill participants with a household income between 200 percent and 400 percent of the FPL shall pay the full cost of their premium. Chronically ill participants shall be required to have been on the MN/MI program for a period of at least one year after which they may apply for the premium sharing program. The demonstration project shall include a cap of 200 persons for the chronically ill population. Once a participant has been determined to be eligible for the program, the person's family is also considered eligible.

Senator Patterson asked how chronic illness is defined in the draft bill.

Ms. Anderson defined chronic illness as a nonacute condition, not caused by alcohol, drug or chemical addition, that if not treated has a reasonable medical possibility of causing a life-threatening situation or death.

Senator Patterson questioned who will be authorized to make the determination that an individual has a chronic illness.

Cochair Knaperek noted that in H.B. 2508 (AHCCCS; premium sharing demonstration program), Chapter 368, Laws of 1996, applicants were defined as those already enrolled in the MN/MI program. For purposes of the draft legislation, the definition read by Ms. Anderson is the one that will be used.

Senator Patterson asked whether this applied to anyone who has been in the MN/MI program for one year.

Cochair Knaperek replied that the Subcommittee's recommendation is that AHCCCS would determine eligibility.

In response to Representative Horton's request, staff distributed copies of the definition of chronic illness (Attachment 3).

- B. Income shall be calculated by multiplying by four the applicant's income for the three months immediately prior to the application for eligibility.
- C. Employment shall not be a requirement for participation.

Cochair Knaperek pointed out that studies indicate that about 85 percent of Arizona's uninsured adults live in households with an employed wage earner.

- D. In order to be eligible for the demonstration project, participants shall not have access to other health care programs.
- E. Eligibility shall be determined according to presumptive eligibility criteria which means information collected by the applicant is presumed to be accurate and truthful, with minimal verification. Participants who falsify information in order to qualify for the program shall be responsible for all fraudulent claims and immediately disqualified from the program.
- F. Eligibility may be conducted at the following locations:
 - 1) County sites;
 - 2) DES locations;
 - 3) Community Health Clinics (conducted by Department of Economic Security workers).
- G. Participants shall demonstrate that they have gone "bare" (had no health care coverage) for a period of at least twelve months in order to be eligible for the demonstration project except for AHCCCS members who transfer to the Premium Sharing Program. Additionally, criteria shall be established specifying alternative "bare" periods according to the participant's circumstance.

Cochair Knaperek objected to the twelve-month period. She said it was her understanding that the Subcommittee's recommendation was for a period of six months.

Representative Horton also expressed her belief that the period was for six, not twelve, months.

Cochair Knaperek questioned whether there will be a drastic change to the premium amount if the period is changed to twelve months.

Steve Schramm, William M. Mercer, Inc. responded to Cochair Knaperek's query. He opined that the premium will not change drastically.

Senator Patterson asked for an explanation of the Mercer calculation. Mr. Schramm said that the process is based on the risk of the targeted population, and focuses on the program design, population, benefit package, and service delivery network. He said that the concept was to come up with a package that would be considered affordable, given the Committee's parameters.

Senator Patterson expressed concern about lowering the time period. He pointed out that the danger of going to a lower time period is that it will include a larger number of people who would have bought insurance in any circumstances.

Cochair Knaperek stated that the main concern is affordability. She said that the Subcommittee's recommendation was for six months, and she would like to continue with that time period.

Representative Weirs concurred that it was his impression that the time period was six months. He noted that the premise has always been six months.

- H. Participants shall undergo a financial evaluation every twelve months to determine program eligibility and a financial review after six months.
- I. Participants who voluntarily leave the Premium Sharing Program shall not be eligible to re-enroll for a period of 12 months.
- J. An enrollment cap shall be placed on the demonstration project.

III. Quality Review

- A. AHCCCS shall conduct the quality review process and shall determine whether the counties' eligibility determinations are accurate and timely.
- B. An evaluation of the Premium Sharing Demonstration Program shall be conducted by Legislative Council.

IV. Service Package Recommendations

- A. Premium sharing participants shall be provided with the same benefit package offered to the medically needy population with the following exceptions:
 - 1) Transplants shall be excluded;
 - 2) Limited behavioral health services shall be provided with a maximum of 10 days of inpatient behavioral health services annually; and
 - 3) Participants shall be charged a copayment for each visit to the doctor.After completion of the initial phase of the demonstration project the committee shall review the possibility of adding additional services such as transplants.

Cochair Knaperek recommended that language should be added to IV.A.1) as follows: "except for the chronically ill portion of the Premium Sharing Demonstration Project."

Representative Horton strongly recommended that language relating to behavioral health services be changed from a maximum of 10 days to a maximum of 30 days.

Mr. Schramm revealed that transplants could be potentially costly. Changing the time period to 30 days could be costly as well. He advised that AHCCCS performs 40-50 transplants annually. If the needy population is included in this program, it will result in a greater number of transplants.

Representative Horton expressed concern about the MN/MI population.

Senator Patterson stated that the issue of who will pay for transplants is a matter of public policy. He said that transplants are generally a life-saving matter. He said he believes that transplants should be included.

Representative Horton reiterated her belief that the time period should be changed from 10 to 30 days. She suggested that a co-payment for in-patient medical services can somewhat offset the extra cost of increasing the time period. She maintained that extending to 30 days could save lives.

Representative Weirs expressed opposition to increasing the time period. He said that a difference of 20 days will result in a 200 percent increase in cost.

Mr. Schramm noted that the impact will be a \$5-10 per member cost per month.

Representative Horton moved that language be changed to 30 days. Representative Horton and Senator Kennedy were in favor of the change; Representative Weirs and Senator Patterson expressed opposition to the motion. Cochair Knaperek refrained from casting her vote at this time.

- B. The AHCCCS health care delivery system and existing providers shall be used for the method of providing health care services.
- C. AHCCCS contract providers who choose to deliver services to the demonstration project participants shall develop a marketing plan to promote the program.
- D. Pregnancy shall not be considered a "pre-existing condition" for the purpose of refusing services. There should be some flexibility when determining pre-existing conditions.
- E. Participants shall be required to enroll their whole family; enrolling only one child or one family member shall not be permitted.

Discussion ensued on whether there should be a requirement for the whole family to be enrolled.

Mr. Schramm said that the whole-family enrollment concept was to insure that there was a reasonable cross section of risk. This would spread the risk across the entire family.

Senator Patterson raised the question of the family where some members were already insured through their workplace. He asked if they would be required to drop their coverage.

Cochair Knaperek agreed that this is a problem. She said this issue needs further discussion.

Mr. Schramm mentioned that in this low-income group, people are making decisions based on their income status.

Cochair Knaperek suggested that language be included that individuals in the family who do not have insurance and have been bare for six months can be covered. She asked Mr. Schramm what the cost impact would be if this language is added. Mr. Schramm said that he would need to look at the whole package and re-evaluate before answering that.

Senator Kennedy stated that she cannot vote for the recommendations at this time. She submitted that she would like to have further information and said she will wait until Mr. Schramm re-evaluates the whole package. She stated her intention to write a Minority Report on the areas that were discussed but not answered today.

V. Premiums

- A. The AHCCCS administration shall establish the total premium costs and shall determine the premium that each enrollee shall pay based on the enrollee's gross income and household size. The premium shall not exceed four percent of the enrollee's household gross income.

Senator Patterson expressed his concern about premiums being based on the enrollee's gross income. He said that a pay raise would mean an increase in premiums, and he questioned whether the individual would be motivated to work and to do well if the pay increase results in a premium increase.

Discussion ensued on premium rates.

TAPE 1, SIDE B

Mr. Schramm reviewed Appendix C, AHCCCS Premium Sharing Proposal Estimated Impact, prepared by William Mercer, Inc. The goal of the program is based on quantifying the risk of the proposed program, based on approach, environment, process, and preliminary estimates. Quantifying the risk is defined by program design, population, benefit package, and service delivery network.

Cochair Knaperek raised the subject of Proposition 203, health programs and AHCCCS eligibility.

Mr. Schramm said that Proposition 203 will have a significant impact on the program. It will greatly reduce the eligibility population and significantly decrease the estimates of the cost of this program.

In response to Senator Patterson's comments about the penetration of the market for this product by low-income people, Cochair Knaperek divulged that a survey by Legislative Council indicated that there is a definite need for this insurance, and that people would pay for this it. She noted that the legislation contains a monitoring clause and also a marketing plan.

Cochair Knaperek remarked that if Members can agree on the recommendations, the Committee can work on the bill over time to make any necessary changes. She said this legislation is an integral part of providing health care to a notch group, and takes care of the truly working poor. She urged Members to approve the recommendations.

Ms. Anderson asked for clarification of items discussed:

Item IV.A.2) -- changing behavioral health services from 10 days to 30 days
Cochair Knaperek recommended changing the ten days to thirty days

Item IV.E -- requiring enrollment of whole family
Cochair Knaperek said she believes there is consensus for the proposed language that family members who are not enrolled in a health plan and who have been bare for six months can be included. Senator Patterson clarified that other family members who had insurance coverage need not be included.

Discussion ensued on eligibility, based on household income. The proposal specifies that household income for participants who do not have a chronic illness shall be less than 200 percent of the federal poverty level (FPL); those with chronic illness shall be less than 400 percent of the FPL. Questions were raised about changing the percent amount and on eligibility.

Representative Horton objected that there has not been discussions on this issue; therefore, no changes should be recommended at this time.

Ms. Anderson raised the question of where Proposition 203 fits into all this. She said it was not discussed in Subcommittee.

Representative Horton said she believes that the proposed legislation is a good expenditure of the tobacco tax money. It provides health care to people who otherwise would not be able to obtain health care. She recommended that this language be included in the intent and purpose of the package.

Cochair Knaperek concurred that this language should be stated in an intent clause in the recommendations package.

Cochair Knaperek asked for a vote on the recommendations as amended. The motion passed unanimously.

Representative Weirs thanked everyone who worked on drafting the recommendations. He expressed his sincere appreciation to Ms. Anderson and Ms. Cindy Kappler, Deputy Chief of Staff, for their input.

Irene Jacobs, Senior Program Associate, Children's Action Alliance, distributed a fact sheet about health insurance and Arizona's children (Attachment 4). She expressed support for the recommendations, and she encouraged Members to work in tandem with Proposition 203. She said she supports the concept of a low fee.

Cochair Knaperek announced that she had a Request to Speak form from the following person who is in favor of the recommendations:

Laurie Lange, Vice President, Government Relations, Arizona Hospital and Healthcare Association

Andy Rinde, Executive Director, Arizona Association of Community Health Centers, testified on behalf of the Association. He congratulated the Committee on its recommendations, and he thanked Members for the opportunity of participating in the process. He said the Association strongly supports consideration of Proposition 203 in conjunction with the proposed legislation. He said he is pleased with agreement reached concerning the six-month eligibility issue. He expressed support that the enrollment requirement for whole family participation was changed. He said he is concerned about the way the rural counties were chosen, and said he thinks it should be done on a more scientific basis. He said he hoped to see employers participating in the program and paying part of their share of the premiums. Mr. Rinde said he is looking forward to working closely with Members of the Committee in implementing the legislation.

Cochair Knaperek announced that she had a Request to Speak form from the following person who is in favor of the recommendations:

Debi Wells, Executive Administrator, Policy Office, Arizona Health Care Cost Containment System (AHCCCS)

Cochair Knaperek expressed her appreciation to Debi Wells for her assistance in this process.

Without objection, the meeting adjourned at 10:55 a.m.

Joanne Bell, Committee Secretary

(Attachments and tape on file in the Office of the Chief Clerk.)

Chief Clerk

Minutes of

**AHCCCS PREMIUM SHARING DEMONSTRATION PROJECT
IMPLEMENTATION COMMITTEE**

DATE: October 17, 1996
TIME: 10:00 a.m.
PLACE: House Hearing Room #3

Members Present

Representative Horton
Representative Weiers
Representative Knaperek, Cochair
Senator Kennedy
Senator Patterson
Senator Brewer, Cochair

Members Absent

None

Staff Present

Shirley Anderson, Policy Advisor, House
Cindy Kapler, Deputy Chief of Staff, House
Kitty Boots, Health Research Analyst, Senate

Representative Knaperek called the meeting to order at 10:10 a.m.

Recommendations of the Working Groups

Ms. Anderson distributed a list of the recommendations of the Premium Sharing Working Groups and the reasons behind them entitled *Recommendations to the AHCCCS Premium Sharing Demonstration Project Implementation Committee* (filed with original minutes).

I. Administration

- A. Health Care Group shall be the entity responsible for administrative functions related to the Premium Sharing Program such as collecting the premiums, billing, processing and member data.**

In response to Senator Brewer, Representative Knaperek stated she thought the costs to administer this recommendation were absorbable.

Colleen Schroeder, Administrator, Health Care Group, stated the exact cost for implementation would be quite minimal, using the current billing and collections process. She added it will simply require 40-60 hours for programmatic changes to develop another data base.

The majority of the Committee agreed to recommendation I.A.

II. Eligibility

- A. Participants shall undergo an income test; household income shall be less than 200% of the Federal Poverty Level (FPL). The chronically ill shall meet a higher income test of 300% of the FPL.**

Senator Kennedy asked if this recommendation would keep an individual from working who wants to work and expressed concern that this should be addressed separately. Representative Weiers stressed the importance of establishing guidelines for FPL requirements at this meeting so that AHCCCS (Arizona Health Care Cost Containment System) can prepare a cost analysis.

Ms. Anderson stated the issue is not employment, but rather an income test. She explained there will be one income qualifying test for individuals who are not chronically ill at 200% of the FPL and one for the chronically ill at 300% of the FPL. She distributed a handout entitled *1996 Poverty Level Guidelines* (filed with original minutes), listing the income guidelines published in the Federal Register.

Representative Knaperek stated the working groups have been discussing the possibility of allowing those whose income is greater than 200% of the FPL, and who still want to stay in the Premium Sharing Project, to pay the full amount. Senator Kennedy suggested that at some point the Committee needs to separately review insurance coverage guidelines for the chronically ill.

In response to Representative Horton, Ms. Anderson stated the information on the FPL handout was from April of 1996.

Senator Kennedy inquired, hypothetically, if a chronically ill person, at 300% of the FPL, making \$60,000 per year, would be ineligible to work. Ms. Anderson stated under those circumstances the person would not qualify for the Project. Representative Knaperek stressed that the Committee had not come to any conclusions yet regarding chronically ill and further discussion was necessary. Ms. Anderson stated the working groups have discussed, but have not made a recommendation, allowing a person who is over the income level to qualify for the Project by paying 100% of the premium.

Representative Knaperek emphasized the recommendations of the working groups do not represent everything and are simply one step in the process.

Representative Horton agreed the area does need to be addressed. Representative Weiers offered three hypothetical solutions to the scenario Senator Kennedy proposed: 1) continue to be chronically ill with no insurance; 2) quit working and qualify for the Project; or 3) set up a

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**AHCCCS PREMIUM SHARING DEMONSTRATION
PROJECT IMPLEMENTATION COMMITTEE**

program to meet the means test of 300% of FPL and pay full premium. He stated he would support the third option because a chronically ill person will not be able to maintain employment and therefore would become eligible for AHCCCS at 100% subsidy.

Representative Knaperek asked the members if they were in agreement with the 200% of FPL level. Representative Horton recommended either 200% or 250%.

Representative Weiers moved the 200% recommendation as the cap for the Program. Passed by a showing of hands.

Representative Knaperek questioned if child support payments should be considered in determining household income. Representative Weiers stated they should. Senator Kennedy stated child support is not an income. Representative Knaperek asked for an example of when child support is not counted as income.

Senator Kennedy questioned if child support is counted as income on tax returns. Ms. Anderson state she was not sure but noted it is considered part of income for AHCCCS eligibility.

Debi Wells, Executive Administrator, Policy Office at AHCCCS, stated AHCCCS counts all monies a family receives as income and there are offsets to income as eligibility is determined.

Representative Knaperek stated she preferred using the income criteria AHCCCS uses because the alternative is setting up a whole new system and there are more important issues to deal with. Representative Horton stated she did not remember discussing the child support issue in the work groups and stressed it was important to keep it simple.

Representative Knaperek moved that the Committee follow the guidelines that AHCCCS uses in determining household income. Motion passed by a showing of hands.

Senator Kennedy voiced objection to voting on the recommendation before hearing from AHCCCS. Representative Knaperek stated the majority of the Committee supports using the AHCCCS guidelines.

B. Employment shall not be a requirement for participation.

Ms. Anderson stated the sentence explaining the reason for this recommendation is worded incorrectly on the handout. She explained the money coming into the household shall be the income for determining eligibility, but it does not matter where the money comes from. The question "are you employed" will not be asked.

The majority of the Committee agreed to recommendation II.B.

- C. Participants shall undergo a resource test; resources shall be limited to one home and two vehicles. If the participant pays the full premium, no resource test is required.**

Senator Brewer expressed concern with allowing anyone to participate in the Project and the burden it would place on it. Representative Knaperek stated AHCCCS will provide criteria to the Committee on who should be eligible and what circumstances would require payment of the full premium and emphasized the work groups only considered the chronically ill who cannot presently obtain insurance. Senator Brewer stated her concern is with the services provided, not payment of premiums.

Representative Knaperek explained the State is absorbing costs already and this project allows people to work, pay taxes, and pay premiums. She added the Committee must make a decision regarding the resource test.

Senator Patterson maintained that because theoretically a person with a million dollar home, a Lexus and a Jaguar could comply with the recommended resource test, it would be more rational to eliminate it. Representatives Knaperek and Weiers agreed.

Representative Knaperek suggested if it is decided that a resource test is not necessary, an evaluation component should start immediately with the implementation of the project and a resource test could be added at a later time, if necessary.

Representative Weiers requested that the application still include the questions to facilitate data collection but not be used to disqualify someone based on their amount of resources.

Senator Patterson stated if the Committee decided to include a resource test, he would be comfortable with a net asset value test.

The majority of the Committee agreed to eliminate recommendation II.C.

- D. Eligibility shall be determined according to presumptive eligibility criteria which means information collected by the applicant is presumed to be accurate and truthful, with minimal verification. Participants who falsify information in order to qualify for the program shall be responsible for all fraudulent claims and immediately disqualified from the program.**

Senator Patterson expressed concern this recommendation represented "zero tolerance" and might be too severe. Representative Knaperek stated if someone falsifies their information, it might result in the elimination of someone else who truly qualifies for the project. She stressed the intent is to provide services for those who really need them.

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The majority of the Committee agreed to recommendation II.D.

- E. Eligibility may be conducted at the following locations:
- 1) County sites;
 - 2) Department of Economic Security (DES) locations;
 - 3) Community Health Clinics (conducted by DES workers).

The majority of the Committee agreed to recommendation II.E

- F. Participants shall demonstrate that they have gone "bare" for a period of at least six months in order to be eligible for the demonstration project *except* for AHCCCS members who transfer to the Premium Sharing Program. Additionally, criteria shall be established specifying alternative "bare" periods according to the participant's circumstance.

Representatives Knaperek and Weiers stated they were in favor of a six-month period.

In response to Representative Horton, Ms. Schroeder explained there is no waiting period for current health care group members, however, there are requirements that an employee work for an employer for at least sixty days prior to being enrolled. She added that under the current preexisting conditions there is no inpatient care for one year, which will change when the federal bill goes into effect.

Representative Horton questioned the six-month waiting period and how it fits in with federal insurance reform. Ms. Anderson stated **Greg Harris, Executive Assistant Director, Arizona Department of Insurance (DOI)** would address the issue when he returned to the meeting. Representative Knaperek stated the Committee would move on to the next recommendation while awaiting Mr. Harris' return.

- G. Participants shall undergo a financial evaluation every twelve months to determine program eligibility and a financial review after six months.

Representative Knaperek indicated the Committee needed to make a decision on the following:

- what type of documentation and information will be used to review a participant's financial status for evaluation;
- if a person is found to be over the 200% FPL, will they automatically be dropped from the project; and
- how long does a person remain eligible.

Representative Weiers stated tax returns should be used for determining eligibility; a person should automatically be disqualified if they are over 200% of the FPL; and a person should

remain eligible for one month. Representative Horton questioned how using tax returns would work for a six-month evaluation.

Representative Knaperek asked the Committee if they were in agreement that AHCCCS should come up with some recommendations in this area. Senator Patterson agreed and suggested a further requirement that beneficiaries report any income changes within ten days and supply their tax returns

The majority of the Committee agreed to recommendation II.G., with the addition of a ten-day reporting requirement for income status changes.

Responding to Representative Horton's earlier question, Mr. Harris explained DOI believes the provision in Senate Bill 1109 will need to be amended because the federal law eliminates the ability of an insurer plan to require a period of non-coverage before eligibility. He emphasized the bill is very complex and DOI has not looked at this very closely, however, he believed the conclusion could be reached that a six-month period would not be permissible.

Representative Knaperek recommended the Committee move forward and leave this recommendation until there are more answers.

- H. Participants who voluntarily leave the Premium Sharing Program shall not be eligible to re-enroll for a period of 12 months.**

Representative Knaperek stated DOI will inform the Committee if this recommendation is in conflict with federal law.

The majority of the Committee agreed to recommendation II.H.

III. Quality Review

- A. AHCCCS shall conduct the quality review process and shall determine whether counties' eligibility determinations are accurate and timely.**

Representative Horton questioned the cost of the review process. Ms. Wells indicated the costs were absorbable.

The majority of the Committee agreed to recommendation III.A.

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The majority of the Committee agreed to recommendation III.A.

B. An evaluation of the Premium Sharing Demonstration Program shall be conducted.

Kim Sheane, Senior Research Analyst, Legislative Council, distributed a handout entitled *Evaluation component for Premium-Sharing Health Insurance Plan* (filed with original minutes) and explained some of the benefits associated with having the evaluation component built into the actual administration of the project:

- state holder groups would have input into what is being evaluated and how best to conduct the evaluation;
- administration of the project could be set up to facilitate the evaluation component;
- roles of the administrators and evaluators could be clearly delineated before the project is implemented.

Representative Knaperek stated she was excited to have Legislative Council working on this and felt it was very beneficial to have the evaluation component from the beginning.

In response to Representative Knaperek, Ms. Sheane stated they could set up either group or individual on-site interviews to gather information and she stated the costs would be absorbable by Legislative Council. Ms. Anderson stated there may be additional costs and time involved for the creation of data source.

Diane Ross, Assistant Director, Division of Member Services for AHCCCS Administration, explained if the eligibility is determined by DES, then most of the information on the client is already in the DES data base, however, if it is county eligibility, the information is not all computerized as some counties have automation and some do not.

Ms. Sheane explained that the draft states that they do not know how much of the data base is already established and Legislative Council would have to set up the other data bases that AHCCCS and the counties do not have. Representative Knaperek suggested Legislative Council coordinate with AHCCCS and the counties to see what can be done.

Representative Horton encouraged Ms. Sheane to find out how much information the agencies can provide and the cost involved and report back to the Committee with realistic projections.

Senator Patterson expressed concern and inquired if any precedent had been set for Legislative Council conducting program reviews. Ms. Sheane stated she was not aware of any and that several years ago the Legislature approved funds to strengthen the research component of the Council.

Representative Knaperek suggested Mike Braun, Director of Legislative Council, could address the Committee on this issue at another time. She said she would also have Don Jansen, Special Counsel to the Majority in the House of Representatives, research the issue.

In response to Senator Patterson, Ms. Sheane stated it was reasonable to believe meaningful data could be obtained on ineligible and non-participating applicants by referring to eligibility criteria forms.

In response to earlier comments, Ms. Anderson clarified that the Auditor General's Office has conducted on-going evaluations of pilot programs.

The Committee did not object to recommendation III.B.

IV. Service Package Recommendations

- A. Provide participants with the AHCCCS acute care service package but consider removing some services.**

Representative Knaperek noted that Ms. Ross was present to answer Senator Kennedy's question of whether child support was counted as income by AHCCCS. Senator Kennedy responded that the recommendation had already been considered and it no longer mattered what the answer was.

Regarding Mental Health Services (modified), included on the list of benefits to be maintained, Representative Horton clarified that she recommended, and she understood it was agreed to, thirty outpatient visits and thirty inpatient stays.

Ms. Anderson distributed a comparison entitled *Behavioral Health and Substance Abuse Services* (filed with original minutes) and explained the Committee recommended using the State employee Health Maintenance Organizations (HMO) service level, however, the table indicates how different the HMO programs are. Representative Knaperek stated she thought the work groups had decided to use the same service package for mental health as AHCCCS. Representative Horton indicated AHCCCS services provide more services than her proposal.

Representative Weiers recommended the package be maintained at a minimum of what is required by AHCCCS because it would not make sense to have someone pay for fewer services than they can get for free on AHCCCS.

Senator Patterson stated with that philosophy the project will never be more than a pilot because of the costs involved. He added there are several mental health services that can be eliminated to allow services for many more people. Representative Weiers agreed that as many people as possible should be served, but reiterated it does not make sense to offer fewer services than what

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are offered free of charge.

Representative Knaperek stated the list was compiled in an effort to reduce costs, however, elimination of some services may not result in significant cost reduction and the services could be retained.

In response to Representative Knaperek, Ms. Wells indicated AHCCCS would need to know the eligible population and the service package to determine the costs involved.

Representative Knaperek asked Ms. Wells to prepare information on the cost of the AHCCCS Title 19 services package and look at eliminating some of the services from that to see if there is a cost difference and the amount of the difference.

Senator Patterson stated he would like the basic policy to include only those mental health services at the most acute end.

Karen Mills, Deputy Assistant Director, Behavioral Health Services, Department of Health Services, explained the area of mental health is extremely complex and she would provide the members with a list of diagnosis to help make a decision in this area.

Senator Kennedy requested that the following be removed from the list of services that are being considered for deletion:

- Chiropractic Services
- Dental Services
- Family Planning Services Related to Infertility Services
- Private Duty Nursing (outside hospital)

Ms. Anderson clarified that chiropractic services currently are only covered for children.

Representative Knaperek noted that **Laurie Lange, Vice President, Government Relations, Arizona Hospital and Health Care Association**, was not present but indicated that the Association responded favorably to the recommendations of the working groups.

Norm Miller, Legislative Liaison, University Medical Center, asked that the Committee restore the transplant services in the Premium Sharing Demonstration Project based on the following reasons: 1) Cost - AHCCCS puts a cap on what the provider must provide; 2) cost effectiveness - returns critically ill person to near a normal productive life; 3) sense of justice - do not exclude the poor and working poor; 4) consistency of policy by the Legislature since services are included in other programs; 5) infrequency of transplants - AHCCCS reported 11 in 1995; 6) to maintain accreditation of programs at transplant facilities in Arizona there is a requirement to maintain a certain minimal level of service.

Senator Kennedy stated she would oppose including transplants because they are already covered under tobacco tax dollars and to include it in the pilot project would wipe out the funding, resulting in many people not receiving services.

Senator Patterson stated it becomes a question of whether we want to pay for transplants through the pilot project or through AHCCCS. Mr. Miller reiterated his argument is for policy consistency and emphasized it would make a difference in the mental frame of mind of the patient in pre-counseling.

Dale A. Ester, representing Arizona Public Policy Forum on Transplantation, stated support for the pilot project, however, he expressed concern about the quality review process and participant satisfaction. He added it would be a travesty to deny transplant services to the working poor. He introduced **Shirley Nanfito**, an AHCCCS patient on a waiting list for an organ transplant.

In response to Representative Knaperek, Ms. Nanfito stated she meets the qualifications for the pilot project. Ms. Nanfito explained she received an extension to stay on the waiting list for twelve months, however in two weeks she will no longer have AHCCCS coverage because her family income has increased to a little over \$900 per month. She stated she would prefer to be covered under the pilot project and pay a percentage of the premium so that she would not have to "spend down" to qualify for AHCCCS.

Representative Horton noted that transplants may come under the category of chronically ill and would fall in the 300% FPL category.

Mr. Ester noted that the working poor comprise the bulk of the organ donors in Arizona and they should not be robbed of the opportunity to receive a transplant.

Senator Kennedy suggested qualifying language be added to the pilot project to cover transplants for those persons who do not qualify under the tobacco tax funds. Senator Patterson agreed that was reasonable.

Representative Knaperek stated she would like to see transplants included in the pilot project and eliminate the other program.

Steve Carter, President, Arizona Association of Behavioral Health Programs, recommended behavioral health services currently offered by AHCCCS be included in the pilot project. He expressed concern that the pilot project will offer fewer services for the working poor than those offered by AHCCCS.

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Representative Knaperek asked Mr. Carter to work with Senator Patterson regarding his ideas on behavioral health.

Dr. Barbara Aung, President, Arizona Podiatric Medical Association, distributed a handout entitled *Foot and Ankle Care by Podiatric Physicians* (filed with original minutes) and spoke in favor of retaining podiatry services in the pilot project. She noted podiatry services offered under AHCCCS are only those medically necessary foot care services performed by doctors of podiatric medicine.

Senator Patterson stated he would like to be sure that if podiatry services are offered that the costs would be minimal. Ms. Wells confirmed that podiatry is covered by AHCCCS and stated if the Committee removed podiatry services from the pilot project it would not make a significant difference in cost. Representative Knaperek stressed if podiatry services are included, they should be for medically necessary services only. Ms. Wells stated all services covered under AHCCCS must be medically necessary. **The majority of the Committee agreed to include Podiatry Services in the pilot project.**

Representative Horton stated private duty nursing might not seem to be a necessity but under Title IX it is for ventilator dependent, which is a necessity. Representative Weiers stated he would use the same analogy as for transplants, because the cost of a transplant is small compared to the cost of dialysis over a lifetime. Senator Patterson agreed it should be covered for ventilator dependent patients, however he assumed it was already part of Home Health Care.

Senator Patterson suggested eliminating chiropractic services for children if it makes a significant cost difference.

The majority of the Committee agreed to eliminate services for Transportation - non-emergency.

Senator Patterson stated he thought all of the services on the list recommended for deletion were optional and covered under other programs and emphasized the Committee consider excluding them.

Representative Knaperek suggested a cost difference be prepared between the services AHCCCS provides and the list of services the working groups identified for deletion to determine if the cost is so minimal that the services should be maintained. **The majority of the Committee agreed to the suggestion.**

Irene Jacobs, Senior Program Associate, Children's Action Alliance, spoke in support of the recommendations, specifically the recommendation allowing participants to select individual, family or children-only coverage. She urged the Committee to set the premium at an affordable

level so that low-income families can take advantage of the project. She also encouraged the early screening for children services be maintained.

Kevin Moran, Consultant, Arizona Association of Community Health Centers, stated support for the demonstration project and offered the following suggestions:

- include a requirement to report any change in income;
- start the project in two urban and two rural counties;
- "phase-in" the project over a twelve-month period to prevent a system overload;
- offer an employer participation opportunity;
- offer a 4-5% premium share paid by the enrollee

Mr. Moran questioned whether everyone should be included in one program or if a separate program should be set up for the chronically ill. He added analysis shows that it is much more likely that someone who will be on medication their entire life will enroll in this project, which will affect costs and how many people will be served.

Representative Horton suggested the phase-in of the demonstration project be started in Maricopa, Pima, Pinal and Cochise Counties.

B. Use the AHCCCS health care delivery system and existing providers for the method of providing health care services.

In response to Representative Knaperek, Ms. Wells expressed concern with mandating participation of AHCCCS providers in the pilot project. She added that to the extent the pilot project mirrors existing programs, it becomes much more attractive for providers to participate.

The majority of the Committee agreed with recommendation IV.B.

C. Consider allowing participants to be given the option of participating in an HMO-type insurance program OR a catastrophic insurance program. A Medical Savings Account may be used as an alternative option.

Representative Knaperek stated the medical savings accounts are not working and the Committee is not prepared to include that option at this time.

The majority of the Committee agreed with recommendation IV.C., with the elimination of the last sentence regarding Medical Savings Accounts.

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The majority of the Committee agreed with recommendation IV.C., with the elimination of the last sentence regarding Medical Savings Accounts.

**AHCCCS PREMIUM SHARING DEMONSTRATION
PROJECT IMPLEMENTATION COMMITTEE**

- D. Pregnancy should not be considered a "pre-existing condition" for the purpose of refusing services. There should be some flexibility when determining pre-existing conditions.**

The majority of the Committee agreed with recommendation IV.D.

- E. Allow participants to select individual, family or children-only coverage.**

The majority of the Committee agreed with recommendation IV.E.

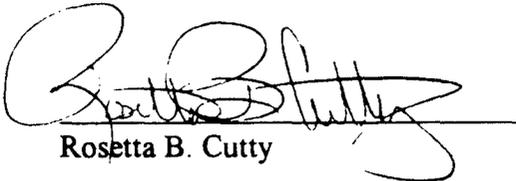
Representative Knaperek listed the outstanding issues the Committee needs to address:

- Chronically Ill
- Premiums
- Marketing Strategies
- Number of Participants
- Participating Counties

Representative Knaperek suggested the subcommittees meet again on October 31 and November 7 and after those meetings a full Committee meeting will be scheduled.. Ms. Wells stated AHCCCS will have the cost of the benefit package and the projected enrollment numbers prepared by October 31, based on Maricopa, Pima, Pinal and Cochise Counties.

Representative Knaperek adjourned the meeting at 1:07 p.m.

Respectfully submitted,


Rosetta B. Cutty

ARIZONA HOUSE OF REPRESENTATIVES

Guests Attending Meeting

MEETING Atcccs Spring Demo Project DATE 10-17-96

NAME AND TITLE (Please print)	REPRESENTING	BILL NO.
<i>Joe Tate</i>	<i>Az Assoc of B.H. Programs, the PHS APMA, ADMA</i>	
MARTIN SHULTZ	APS	
Gay Ann Williams	Az. Physicians	
Jack Nick	"	
Kathy Busby	"	
Steve Carter	Az Assn of BH Programs	
<i>Shirley + Jerry Nantz</i>	<i>Self</i>	
Joe MANN	Az Assn. of Beh Health Progn	

Chief Clerk

RECEIVED
CHIEF CLERK'S OFFICE

AUG 26 1996

ARIZONA STATE LEGISLATURE

**AHCCCS PREMIUM SHARING DEMONSTRATION PROJECT
IMPLEMENTATION COMMITTEE**

Minutes of the Meeting

Thursday, August 22, 1996
9:00 a.m., Senate Hearing Room 2

MEMBERS PRESENT

Senator Brewer, Co-Chair
Senator Patterson
Senator Kennedy

Representative Knaperek, Co-Chair
Representative Weiers
Representative Horton

STAFF

Kitty Boots, Senate Research Analyst
Cindy Kappler, House Majority Staff

Co-chairman Brewer convened the meeting at 9:05 a.m. and issued opening remarks. She welcomed the opportunity to receive input and suggestions from interested parties and for Senators to become better-educated about testimony that was heard in the House of Representatives on H.B. 2508, which enables the premium sharing project. Senator Brewer expressed her wish to be certain that what the Committee undertakes is the right thing, acknowledging the dual needs to maintain a rainy day fund and to expend tobacco tax dollars as they should be. Representative Knaperek expressed her enthusiasm for the demonstration project and gratitude to interested parties. Roll call was taken and staff next related the Committee charge.

REVIEW OF COMMITTEE TIME LINES AND RESPONSIBILITIES

Kitty Boots, Senate Research Analyst, explained the Committee is charged with recommending a program designed to allow eligible persons access to medical services provided by system providers through a cost sharing arrangement with the Arizona Health Care Cost Containment System (AHCCCS). She noted this recommendation is due November 15, 1996 and that the program is funded by the Medically Needy Account of the Tobacco Tax and Health Care Fund. Ms. Boots further noted there will be \$20 million set aside each year for three years beginning October 1, 1996 that is to be deposited in a Premium Sharing Demonstration Project Fund, with a maximum of \$75,000 authorized for use by the Director of AHCCCS for administrative costs between July 1, 1996 and September 30, 1997.

Ms. Boots explained the eligibility criteria for participants: household income cannot exceed 300 percent of the Federal Poverty Level (FPL) guidelines, participants must be U.S. citizens or legal aliens and Arizona residents, participants must have been uninsured for

a minimum of six months before applying for services and must meet resource and asset thresholds yet to be determined. Ms. Boots indicated the Committee shall direct AHCCCS administration to conduct actuarial studies which provide estimates relating to presentation rates and potential premium sharing costs of the program. She indicated the Committee shall also evaluate the feasibility of a separate premium schedule based on different household sizes and shall direct AHCCCS to provide details on and justification of the methodology used to determine premium sharing costs for participants. Ms. Boots also noted the Committee shall recommend an entity to collect the premiums and recommend a method for collecting these premiums.

Ms. Boots indicated the entire program is to be delivered through and administered by AHCCCS and may include health care and hospitalization services similar to any AHCCCS program. She emphasized the enabling legislation specifies that the program should not be considered an entitlement program and cannot obligate AHCCCS in any manner beyond the resources indicated by the Legislature for this project. Ms. Boots further indicated the Committee is charged with recommending geographical area or areas to be served by the program and recommending the feasibility of limiting the number of program participants.

In response to Representative Knaperek's inquiry, Ms. Boots clarified that the \$20 million funding for the October, 1997 program will begin to accrue immediately. In response to Representative Knaperek's request, she agreed to clarify this in the written Committee outline.

Senator Patterson asked if there is a requirement that AHCCCS providers be used or any stipulations about how providers would be chosen. Ms. Boots responded that the enabling legislation indicates the "Committee shall recommend a service package that shall be delivered through AHCCCS and may include health care and hospitalization," but noted it is silent on the issues of "who" or "how."

PUBLIC TESTIMONY

Richard Trujillo, Director, Medical Assistance Programs, Maricopa County, explained his department determines eligibility for AHCCCS and county medical assistance. He expressed full support for the provisions of H.B. 2508 as written and expressed concern that if county workload increases as a result of determining eligibility for the proposed premium sharing program, additional funding needs to be appropriated for administrative costs.

Diane Ziple, representing the March of Dimes and the Prenatal Care Coalition, first applauded the Legislature, particularly Representatives Knaperek, Weiers and Senator

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**AHCCCS PREMIUM SHARING
DEMONSTRATION PROJECT**

**August 22, 1996
Page 3**

Brewer, for sponsoring H.B. 2508, asserting it will benefit thousands of uninsured Arizonans.

Ms. Ziple emphasized that several issues will need to be addressed as the program is implemented, such as covered services, individual premium costs and eligibility. She explained that Tennessee, Minnesota, Rhode Island, Vermont and Oregon have already implemented premium sharing programs and distributed a handout entitled "Cost Sharing Programs Monthly Premiums," (filed with original minutes) which compare premium costs at different poverty levels across these states. Ms. Ziple encouraged using some of the information and experiences of other states in developing Arizona's program. She related that commonalities among these states: they operate on limited and fixed budgets, cost sharing is shown to add more participants to most programs and preventive and primary services are offered with all packages. Referring to the handout, Ms. Ziple noted that premiums for incomes under 100 percent of FPL are minimal or nonexistent and the premiums at the 175 percent level of FPL do not exceed 3.8 percent of a participant's gross monthly income. She conveyed her intention to share further information regarding participation rates at various federal poverty levels, eligibility restrictions and service packages which her organization is currently researching.

Andy Rinde, Executive Director, Arizona Association of Community Health Centers, distributed printed copies of his remarks, "Health Care For The Working Poor," (filed with original minutes) to Committee members. He emphasized that new thinking about how publicly financed health care is delivered in Arizona may also be applied to reworking the AHCCCS program, particularly, if the long awaited Medicaid block grants become reality.

Mr. Rinde further outlined concepts and principles for implementing the notch group medical insurance premium sharing pilot program as listed on the second page of his handout: 1) there should be a strong emphasis on preventive care; 2) there should be a strong emphasis on assuring access to primary care; 3) the program should be piloted in both urban counties and two rural counties to obtain a data base representative of the State; 4) eligibility should be limited to adults and children without medical insurance and from families at or below 200 percent of federal poverty guidelines; 5) there should be no more than a six month uninsured interval prior to being eligible, preferably three months, asserting 5.7 months is the median time individuals go without insurance according to a recent report by the U.S. Census Bureau; 6) asset thresholds should be exclusive of personal residence and one personal automobile per person; 7) long-term care should be excluded from the benefit package; 8) deductibles and co-payments should be widely deployed to constrain over-utilization and actuarial consultation should be employed in establishing these deductibles and co-payments; 9) low-income, uninsured individuals should be required to pay a relatively small percentage of the premium based upon income versus federal poverty guidelines; 10) employers who have not previously provided health insurance should have methods available to pay for their employee's premium share, (he

explained that Washington subsidizes employer payments for uninsured individuals, for example) and 11) competitive bidding by insurers, health maintenance organizations etc., should be encouraged to the fullest extent to maximize the number of individuals served by the program.

Senator Patterson questioned whether the premium sharing program is to be a "bridge," expecting employers to pick up the insurance when a participant finds a job again, and if so, asked how can this be assured. He also questioned whether the program is to be made available until the participant becomes ineligible by income. Senator Patterson suggested these are questions which the Committee must decide upon.

Mr. Rinde suggested employer participation should be encouraged first and foremost. He asserted that by doing so, coverage will be expanded to the greatest number of participants, as employers could pay more than 3.8 percent. Mr. Rinde explained that most of the people to be covered by the program are employed but, unfortunately, their employers do not provide health insurance and the biggest payoff would come by trying to include the employers who have not offered an insurance package previously. He cautioned that one of the potential adverse responses to the program, which cannot be allowed to happen, could be that employers drop their existing insurance programs to obtain lower-cost insurance through the program mechanism. Mr. Rinde encouraged reviewing Washington's program.

Senator Patterson noted that if the period for which a person must be uninsured to become eligible is only three months, the program would be providing insurance for many people who statistically would become employed within the next few months and obtain health insurance anyway. Mr. Rinde agreed there will be many participants on the program for a short period of time.

Mr. Rinde noted that studies show that 15 to 25 percent of the uninsured individuals have been uninsured for over a year. He emphasized that for most people being uninsured is a short term problem, but a significant one, particularly if one becomes ill. Mr. Rinde asserted it is important to pick up the majority of uninsured individuals, even if only for two to three months.

Senator Patterson commented that if the State subsidizes insurance for an individual after three months of being uninsured, it is competing fairly effectively with other ways for low-income people to obtain insurance.

Mr. Rinde acknowledged that once individuals become employed by an employer who provides health insurance, or they become ineligible due to increased income levels they, by definition, go off the program.

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Representative Knaperek explained it was decided, when developing H.B. 2508, that eligibility should only be reviewed on an annual basis. However, she suggested there would be a problem relying upon individuals to report that they had become employed and no longer needed the program.

Mr. Rinde agreed and suggested the annual review of eligibility should be revisited, as this may not be often enough, given the relatively short-term interval that most people are uninsured.

Senator Brewer asked what incentive employers would have to provide insurance if the premium sharing program is available.

Mr. Rinde speculated that many small employers have said they would love to provide health insurance for their employees as a matter of social responsibility, but do not because it is too expensive. He suggested that with this program, it could become much more affordable. Mr. Rinde expressed his understanding that employers pay an affordable average of \$30 to \$40 per individual per month under the Washington program versus the typical \$1500 to \$2500 per year that employers pay for health insurance. He suggested that small employers will want to become involved in order to retain their employees and as an acknowledgment of their social responsibility.

In response to Senator Brewer's question, Mr. Rinde indicated he did not know how long the Washington program requires participants to be without insurance before becoming eligible. Mr. Rinde again encouraged researching Washington's program and Senator Brewer requested that staff obtain information about programs in Washington and other states.

Representative Knaperek indicated she would like to study the idea of having the program offered so that the premiums are to be shared by the individual participant; it being the responsibility of the individual to find someone to share his or her premium, whether a family member, employer or church group, for instance. She asserted this would get the employers involved, but the effort would be driven by the individual participant's need, not the employers.

Representative Horton questioned how many employers compensating employees an amount which places them 200 percent below the FPL would be willing to pick up the cost of insurance. Senator Brewer acknowledged the need to obtain more information on this from the business sector.

Former State Senator Bev Hermon, representing the Arizona Consortium for Children with Chronic Illness, expressed support for the premium sharing demonstration project, emphasizing concern for the families whose lives are altered dramatically when

caring for these children. She disagreed with limiting eligibility to 200 percent of FPL, as these families must accommodate increased expenses associated with the illness, usually on one income, as one family member must be a constant caregiver. Ms. Hermon noted these family members are productive individuals whose daily efforts could be described as heroic.

Laurie Lange, Government Relations, Arizona Hospital and Healthcare Association (AHHA), related support for the premium sharing concept and commended Representatives Weiers, Knaperek and Senator Brewer for their efforts on H. B. 2508. Ms. Lange indicated that tobacco tax revenues have generated over \$100 million since the enactment of Proposition 200 and will have generated over \$1 billion over the next decade. She emphasized the need to consider a long-term and comprehensive plan to use these monies as the voters intended. To this end, Ms. Lange indicated AHHA has put together an advisory committee of health care and business leaders to gather input from the community to address the appropriate and prudent use of the tax monies. She distributed a list of the committee members (filed with original minutes) and promised to provide frequent updates to the Legislature on their activities. Ms. Lange also noted the advisory committee has retained the services of Dr. Linda Redman, former Assistant Director of the Department of AHCCCS, to help develop a plan.

Senator Brewer emphasized her interest in the chronic illness issue and asked staff to work on incorporating this into the program. She also expressed her interest in requiring some of the subsidized premiums be repaid to the tobacco tax fund at some point in time, so they are not entirely a handout.

Representative Knaperek emphasized the need to make plans and specific goals, determining whether the poverty level should be set at 200 percent FPL or 300 percent, for instance. She also expressed the need to determine the structure of the premium sharing sliding fee scale and what kinds and how many service packages will be offered. Representative Knaperek related her preference for offering options, suggesting more comprehensive packages could be offered to those who may be able to afford a higher premium. She recommended establishing subcommittees or work groups to address these issues and invited interested members of the public to become involved and share their expertise at these meetings. Representative Knaperek strongly advised having an actuary work with the subcommittees, indicating she has the names of a couple of interested parties and would make a call if the Committee agreed.

Representative Horton suggested funding for an actuary could be paid out of the \$75,000 allocated to AHCCCS for administrative costs. Senator Brewer agreed it would be appropriate to work with an actuary and that compensation with administrative funds would also be appropriate.

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**AHCCCS PREMIUM SHARING
DEMONSTRATION PROJECT**

**August 22, 1996
Page 7**

In response to Senator Kennedy's inquiry about when subcommittees would meet, Senator Brewer acknowledged the original time line is somewhat ambitious and the next meeting of the standing Committee would probably be held September 19, 1996.

Representative Horton requested that future meetings be noticed well in advance as her work schedule must be coordinated two weeks in advance. Senator Brewer assured members that meetings would be noticed well in advance and rescheduled if necessary.

In response to Representative Weiers inquiry, Representative Knaperek explained the Structure Subcommittee would deal with the definition of eligibility and the Service Subcommittee would deal with product that is going to be offered.

Representative Knaperek suggested the subcommittees should meet just before the full Committee and be prepared to report.

Representative Knaperek appointed the following subcommittees:

Structure Subcommittee

Representative Weiers
Representative Horton
Senator Kennedy

Service Subcommittee

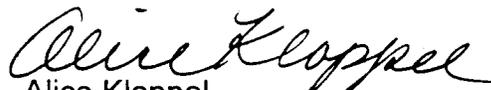
Representative Horton
Senator Kennedy
Senator Patterson

Representative Knaperek announced the subcommittees would meet Wednesday, September 4, 1996 at 10:00 a.m.

In response to Senator Patterson's inquiry, Representative Knaperek acknowledged that any interested party is invited to attend subcommittees and provide input.

Without objection, the meeting was adjourned at 10:05 a.m.

Respectfully submitted,


Alice Kloppel,
Committee Secretary

(Tape on file in the Office of the Senate Secretary)

MEETING OF COMMITTEE ON
AHCCCS PREMIUM SHARING
DEMONSTRATION PROJECT IMPLEMENTATION TIME

Hearing Room No. 4

DATE 8.22.96

9:00am

NAME
Please Print

REPRESENTING

BILL NO.

SHIRLEY NANFITO

JERRY NANFITO

GORDON H. JENSEN

Al Charlesworth

Jane Jacobs

Dev Hillman

Andy Rind

Rhian Evans

Kevin Moran

Charlie Thomas

Karen Hansen

Jealate

Norm Miller

David Lovell

ADHS

Children's Action Alliance

AZ Consortium for Children

with CHRONIC ILLNESS

AZ Association of Community Health Centers

Children's Action Alliance

Arizona Assoc. of Community Health Centers

AZ Public Policy Forum on Transplant

AZ Consortium

ADMA

UMC

A. MIA

Appendix B

Laws 1996, Chapter 368 (HB 2508)

State of Arizona
House of Representatives
Forty-second Legislature
Second Regular Session
1996

FILED

**Jane Dee Hull
Secretary of State**

CHAPTER 368

HOUSE BILL 2508

AN ACT

AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2907.08; AMENDING SECTION 36-2921, ARIZONA REVISED STATUTES; AMENDING SECTION 36-2922, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2923; AMENDING LAWS 1996, FIFTH SPECIAL SESSION, CHAPTER 5, SECTION 7; PROVIDING FOR CONDITIONAL DELAYED REPEAL; MAKING AN APPROPRIATION; RELATING TO THE MEDICALLY NEEDY ACCOUNT OF THE TOBACCO TAX AND HEALTH CARE FUND.

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

2 Section 1. Title 36, chapter 29, article 1, Arizona Revised Statutes,
3 is amended by adding section 36-2907.08, to read:

4 36-2907.08. Basic children's medical services program;
5 definition

6 A. BEGINNING ON OCTOBER 1, 1996, THE BASIC CHILDREN'S MEDICAL SERVICES
7 PROGRAM IS ESTABLISHED TO PROVIDE GRANTS TO HOSPITALS THAT EXCLUSIVELY SERVE
8 THE MEDICAL NEEDS OF CHILDREN OR THAT OPERATE PROGRAMS DESIGNED PRIMARILY FOR
9 CHILDREN. THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES, PURSUANT TO AN
10 INTERGOVERNMENTAL AGREEMENT WITH THE DIRECTOR OF THE ARIZONA HEALTH CARE COST
11 CONTAINMENT SYSTEM AND SUBJECT TO THE AVAILABILITY OF MONIES, SHALL IMPLEMENT
12 AND OPERATE THIS PROGRAM ONLY TO THE EXTENT THAT FUNDING IS AVAILABLE AND HAS
13 BEEN SPECIFICALLY DEDICATED FOR THE PROGRAM.

14 B. TO RECEIVE A GRANT UNDER THIS SECTION, A HOSPITAL SHALL SUBMIT AN
15 APPLICATION AS PRESCRIBED BY THE DIRECTOR OF THE DEPARTMENT OF HEALTH
16 SERVICES IN A REQUEST FOR PROPOSAL THAT INDICATES TO THE DIRECTOR'S
17 SATISFACTION THAT THE APPLICANT AGREES TO:

18 1. USE GRANT PROGRAM MONIES TO ENHANCE THE APPLICANT'S PROVISION OF
19 ADDITIONAL MEDICAL SERVICES TO CHILDREN AND TO IMPROVE THE APPLICANT'S

1 ABILITY TO DELIVER INPATIENT, OUTPATIENT AND SPECIALIZED CLINICAL SERVICES
2 TO INDIGENT, UNINSURED OR UNDERINSURED CHILDREN WHO ARE NOT ELIGIBLE TO
3 RECEIVE SERVICES UNDER THIS ARTICLE.

4 2. ESTABLISH AND ENFORCE A SLIDING FEE SCALE FOR CHILDREN WHO ARE
5 PROVIDED SERVICES WITH GRANT MONIES.

6 3. ACCOUNT FOR MONIES COLLECTED PURSUANT TO PARAGRAPH 2 OF THIS
7 SUBSECTION SEPARATELY FROM ALL OTHER INCOME IT RECEIVES AND TO REPORT THIS
8 INCOME ON A QUARTERLY BASIS TO THE ADMINISTRATION.

9 4. USE THE GRANT TO SUPPLEMENT MONIES ALREADY AVAILABLE TO THE
10 APPLICANT.

11 5. MATCH THE GRANT AS PRESCRIBED BY THE DIRECTOR BY RULE WITH PRIVATE
12 MONIES THE APPLICANT HAS PLEDGED FROM PRIVATE SOURCES. THE DIRECTOR SHALL
13 WAIVE THIS REQUIREMENT IF THE APPLICANT IS SEEKING THE GRANT TO QUALIFY FOR
14 A PRIVATE OR PUBLIC GRANT FOR THE DELIVERY OF INPATIENT, OUTPATIENT OR
15 SPECIALIZED CLINICAL CARE OF INDIGENT, UNINSURED OR UNDERINSURED CHILDREN WHO
16 ARE NOT ELIGIBLE TO RECEIVE SERVICES UNDER THIS ARTICLE.

17 6. PROVIDE A MECHANISM TO ENSURE THAT GRANT PROGRAM MONIES ARE NOT
18 USED FOR CHILDREN WHO ARE ELIGIBLE FOR SERVICES UNDER THIS ARTICLE.

19 7. NOT USE GRANT MONIES TO FUND THE PROVISION OF EMERGENCY ROOM
20 SERVICES.

21 C. BY CONTRACT, THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES
22 SHALL REQUIRE A GRANTEE TO:

23 1. ANNUALLY ACCOUNT FOR ALL EXPENDITURES IT MAKES WITH GRANT PROGRAM
24 MONIES DURING THE PREVIOUS YEAR.

25 2. AGREE TO COOPERATE WITH ANY AUDITS OR REVIEWS CONDUCTED BY THIS
26 STATE.

27 3. AGREE TO THE REQUIREMENTS OF THIS SECTION AND OTHER CONDITIONS THE
28 DIRECTOR DETERMINES TO BE NECESSARY FOR THE EFFECTIVE USE OF GRANT PROGRAM
29 MONIES.

30 D. THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES MAY LIMIT EITHER
31 OR BOTH THE GRANT AMOUNT PER CONTRACT OR THE NUMBER OF CONTRACTS AWARDED.
32 IN AWARDING CONTRACTS TO QUALIFIED APPLICANTS THE DIRECTOR SHALL CONSIDER:

33 1. THE AMOUNT OF MONIES AVAILABLE FOR THE GRANT PROGRAM.

34 2. THE NEED FOR GRANT MONIES IN THE AREA SERVED BY THE APPLICANT AS
35 STATED BY THE APPLICANT IN THE RESPONSE TO THE REQUEST FOR PROPOSALS AND AS
36 RESEARCHED BY THE ADMINISTRATION.

37 3. THE NUMBER OF CHILDREN ESTIMATED TO BE SERVED BY THE APPLICANT WITH
38 GRANT PROGRAM MONIES.

39 4. THE SERVICES THAT WILL BE PROVIDED OR MADE AVAILABLE WITH GRANT
40 PROGRAM MONIES.

41 5. THE PERCENTAGES OF GRANT MONIES THAT THE APPLICANT INDICATES WILL
42 BE RESERVED FOR ADMINISTRATIVE EXPENDITURES, DIRECT SERVICE EXPENDITURES AND
43 MEDICAL CARE PERSONNEL COSTS.

1 ABILITY TO DELIVER INPATIENT, OUTPATIENT AND SPECIALIZED CLINICAL SERVICES
2 TO INDIGENT, UNINSURED OR UNDERINSURED CHILDREN WHO ARE NOT ELIGIBLE TO
3 RECEIVE SERVICES UNDER THIS ARTICLE.

4 2. ESTABLISH AND ENFORCE A SLIDING FEE SCALE FOR CHILDREN WHO ARE
5 PROVIDED SERVICES WITH GRANT MONIES.

6 3. ACCOUNT FOR MONIES COLLECTED PURSUANT TO PARAGRAPH 2 OF THIS
7 SUBSECTION SEPARATELY FROM ALL OTHER INCOME IT RECEIVES AND TO REPORT THIS
8 INCOME ON A QUARTERLY BASIS TO THE ADMINISTRATION.

9 4. USE THE GRANT TO SUPPLEMENT MONIES ALREADY AVAILABLE TO THE
10 APPLICANT.

11 5. MATCH THE GRANT AS PRESCRIBED BY THE DIRECTOR BY RULE WITH PRIVATE
12 MONIES THE APPLICANT HAS PLEDGED FROM PRIVATE SOURCES. THE DIRECTOR SHALL
13 WAIVE THIS REQUIREMENT IF THE APPLICANT IS SEEKING THE GRANT TO QUALIFY FOR
14 A PRIVATE OR PUBLIC GRANT FOR THE DELIVERY OF INPATIENT, OUTPATIENT OR
15 SPECIALIZED CLINICAL CARE OF INDIGENT, UNINSURED OR UNDERINSURED CHILDREN WHO
16 ARE NOT ELIGIBLE TO RECEIVE SERVICES UNDER THIS ARTICLE.

17 6. PROVIDE A MECHANISM TO ENSURE THAT GRANT PROGRAM MONIES ARE NOT
18 USED FOR CHILDREN WHO ARE ELIGIBLE FOR SERVICES UNDER THIS ARTICLE.

19 7. NOT USE GRANT MONIES TO FUND THE PROVISION OF EMERGENCY ROOM
20 SERVICES.

21 C. BY CONTRACT, THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES
22 SHALL REQUIRE A GRANTEE TO:

23 1. ANNUALLY ACCOUNT FOR ALL EXPENDITURES IT MAKES WITH GRANT PROGRAM
24 MONIES DURING THE PREVIOUS YEAR.

25 2. AGREE TO COOPERATE WITH ANY AUDITS OR REVIEWS CONDUCTED BY THIS
26 STATE.

27 3. AGREE TO THE REQUIREMENTS OF THIS SECTION AND OTHER CONDITIONS THE
28 DIRECTOR DETERMINES TO BE NECESSARY FOR THE EFFECTIVE USE OF GRANT PROGRAM
29 MONIES.

30 D. THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES MAY LIMIT EITHER
31 OR BOTH THE GRANT AMOUNT PER CONTRACT OR THE NUMBER OF CONTRACTS AWARDED.
32 IN AWARDDING CONTRACTS TO QUALIFIED APPLICANTS THE DIRECTOR SHALL CONSIDER:

33 1. THE AMOUNT OF MONIES AVAILABLE FOR THE GRANT PROGRAM.

34 2. THE NEED FOR GRANT MONIES IN THE AREA SERVED BY THE APPLICANT AS
35 STATED BY THE APPLICANT IN THE RESPONSE TO THE REQUEST FOR PROPOSALS AND AS
36 RESEARCHED BY THE ADMINISTRATION.

37 3. THE NUMBER OF CHILDREN ESTIMATED TO BE SERVED BY THE APPLICANT WITH
38 GRANT PROGRAM MONIES.

39 4. THE SERVICES THAT WILL BE PROVIDED OR MADE AVAILABLE WITH GRANT
40 PROGRAM MONIES.

41 5. THE PERCENTAGES OF GRANT MONIES THAT THE APPLICANT INDICATES WILL
42 BE RESERVED FOR ADMINISTRATIVE EXPENDITURES, DIRECT SERVICE EXPENDITURES AND
43 MEDICAL CARE PERSONNEL COSTS.

1 6. THE FINANCIAL AND PROGRAMMATIC ABILITY OF THE APPLICANT TO MEET THE
2 CONTRACT'S REQUIREMENTS.

3 E. IF THE DEPARTMENT OF HEALTH SERVICES DETERMINES THAT A HOSPITAL HAS
4 USED GRANT MONIES IN VIOLATION OF THIS SECTION IT SHALL PROHIBIT THAT
5 HOSPITAL FROM RECEIVING ADDITIONAL GRANT PROGRAM MONIES UNTIL THE HOSPITAL
6 REIMBURSES THE DEPARTMENT. THE DEPARTMENT SHALL IMPOSE AN INTEREST PENALTY
7 AS PRESCRIBED BY THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES BY RULE.
8 THE DIRECTOR SHALL TRANSMIT PENALTIES COLLECTED UNDER THIS SECTION TO THE
9 STATE TREASURER FOR DEPOSIT IN THE MEDICALLY NEEDY ACCOUNT OF THE TOBACCO TAX
10 AND HEALTH CARE FUND.

11 F. THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES MAY EXPEND MONIES
12 FROM THE MEDICALLY NEEDY ACCOUNT OF THE TOBACCO TAX AND HEALTH CARE FUND
13 TRANSFERRED PURSUANT TO SECTION 36-2921, SUBSECTION A, PARAGRAPH 7 FOR THE
14 PURPOSE OF FUNDING EVALUATIONS OF THE GRANT PROGRAM ESTABLISHED BY THIS
15 SECTION. THE DIRECTOR SHALL ENSURE THAT ANY EVALUATION IS STRUCTURED TO MEET
16 AT LEAST THE BASE REQUIREMENTS PRESCRIBED IN SECTION 36-2907.07.

17 G. THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES MAY EXPEND MONIES
18 FROM THE MEDICALLY NEEDY ACCOUNT OF THE TOBACCO TAX AND HEALTH CARE FUND
19 TRANSFERRED PURSUANT TO SECTION 36-2921, SUBSECTION A, PARAGRAPH 7 FOR
20 ADMINISTRATIVE COSTS ASSOCIATED WITH THE ESTABLISHMENT OR THE OPERATION OF
21 THE GRANT PROGRAM. THE AMOUNT WITHDRAWN ANNUALLY FOR GRANT PROGRAM
22 ADMINISTRATIVE COSTS SHALL NOT EXCEED TWO PER CENT OF THE SUM OF ANY
23 TRANSFERS OF MONIES MADE PURSUANT TO SECTION 36-2921 AND ANY APPROPRIATION
24 OF MONIES FOR THE SPECIFIED PURPOSE OF SUPPORTING THE NONENTITLEMENT BASIC
25 CHILDREN'S MEDICAL SERVICES PROGRAM ESTABLISHED IN THIS SECTION.

26 H. THE DEPARTMENT OF HEALTH SERVICES SHALL DIRECTLY ADMINISTER THE
27 GRANT PROGRAM AND ALL CONTRACTS ESTABLISHED PURSUANT TO THIS SECTION. THE
28 DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES SHALL PUBLISH RULES PURSUANT
29 TO TITLE 41, CHAPTER 6 FOR THE GRANT PROGRAM BEFORE THE ISSUANCE OF THE
30 INITIAL GRANT PROGRAM REQUEST FOR PROPOSALS. THE DIRECTOR OF THE DEPARTMENT
31 OF HEALTH SERVICES AND THE CONTRACTOR SHALL SIGN A CONTRACT BEFORE THE
32 TRANSMISSION OF ANY TOBACCO TAX AND HEALTH CARE FUND MONIES TO THE
33 CONTRACTOR.

34 I. IN ADMINISTERING THE BASIC CHILDREN'S MEDICAL SERVICES PROGRAM AND
35 AWARDED CONTRACTS ESTABLISHED PURSUANT TO THIS SECTION, THE DIRECTOR OF THE
36 DEPARTMENT OF HEALTH SERVICES SHALL SEEK TO EFFICIENTLY AND EFFECTIVELY
37 COORDINATE THE DELIVERY OF SERVICES PROVIDED THROUGH THE PROGRAM WITH
38 SERVICES PROVIDED THROUGH OTHER PROGRAMS INCLUDING THOSE ESTABLISHED PURSUANT
39 TO CHAPTER 2, ARTICLE 3 OF THIS TITLE AND SECTIONS 36-2907.05 AND 36-2907.06.
40 THE DIRECTOR SHALL SEEK TO ENSURE THAT THIS COORDINATION RESULTS IN PROVIDING
41 FOR EITHER OR BOTH THE COVERAGE OF ADDITIONAL CHILDREN OR THE PROVISION OF
42 ADDITIONAL MEDICALLY NECESSARY SERVICES TO CHILDREN INSTEAD OF SUPPLANTING
43 EXISTING SERVICE OPPORTUNITIES OR DUPLICATING EXISTING PROGRAMS WITH NO
44 ATTENDANT INCREASE IN COVERAGE.

1 J. FOR THE PURPOSES OF THIS SECTION, "GRANT PROGRAM" REFERS TO THE
2 BASIC CHILDREN'S MEDICAL SERVICES PROGRAM.

3 Sec. 2. Section 36-2921, Arizona Revised Statutes, is amended to read:
4 36-2921. Tobacco tax allocation

5 A. Subject to the availability of monies in the medically needy
6 account established pursuant to section 42-1241, subsection C, paragraph 3
7 the administration shall use the monies in the account in the following
8 order:

9 1. The administration shall withdraw the amount necessary to pay the
10 state share of costs for providing health care services to any person who is
11 eligible pursuant to section 36-2901, paragraph 4, subdivisions (a), (c) and
12 (h), and who becomes eligible for heart, LUNG, HEART-LUNG, liver or
13 autologous and allogeneic bone marrow transplants pursuant to section
14 36-2907, subsection A, paragraph 11, SUBDIVISION (d) as determined by the
15 administrator AND TO ANY PERSON WHO IS ELIGIBLE PURSUANT TO SECTION 36-2901,
16 PARAGRAPH 4, SUBDIVISION (b) AND WHO BECOME ELIGIBLE FOR LUNG OR HEART-LUNG
17 TRANSPLANTS PURSUANT TO SECTION 36-2907, SUBSECTION A, PARAGRAPH 11,
18 SUBDIVISION (b), AS DETERMINED BY THE ADMINISTRATOR.

19 2. Beginning on August 1, 1995 and on the first day of each month
20 thereafter, the sum of one million two hundred fifty thousand dollars shall
21 be transferred from the medically needy account to the ~~medically needy and~~
22 ~~medically indigent program~~ MEDICAL SERVICES stabilization fund for uses as
23 prescribed in section 36-2922.

24 3. From and after August 1, 1995 and each year thereafter, the
25 administration shall transfer not more than fifteen million dollars to the
26 department of health services to be allocated as follows if the department
27 awards a contract:

28 (a) ~~Up to five million dollars, but not less than thirty-three and~~
29 ~~thirty-four one hundredths per cent~~ ONE-THIRD of the total amount
30 transferred, for the mental health grant program established pursuant to
31 section 36-3414.

32 (b) ~~Up to five million dollars, but not less than thirty-three and~~
33 ~~thirty-three one hundredths per cent~~ ONE-THIRD of the total amount
34 transferred, for primary care services established pursuant to section
35 36-2907.05.

36 (c) ~~Up to five million dollars, but not less than thirty-three and~~
37 ~~thirty-three one hundredths per cent~~ ONE-THIRD of the total amount
38 transferred, for grants to the community health centers established
39 pursuant to section 36-2907.06.

40 4. From and after August 1, 1995, the administration shall transfer
41 up to five hundred thousand dollars annually for fiscal years 1995-1996 and
42 1996-1997 for pilot programs providing detoxification services in counties
43 having a population of five hundred thousand persons or less according to the
44 most recent United States decennial census.

1 J. FOR THE PURPOSES OF THIS SECTION, "GRANT PROGRAM" REFERS TO THE
2 BASIC CHILDREN'S MEDICAL SERVICES PROGRAM.

3 Sec. 2. Section 36-2921, Arizona Revised Statutes, is amended to read:

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7 the administration shall use the monies in the account in the following
8 order:

9 1. The administration shall withdraw the amount necessary to pay the
10 state share of costs for providing health care services to any person who is
11 eligible pursuant to section 36-2901, paragraph 4, subdivisions (a), (c) and
12 (h), and who becomes eligible for heart, LUNG, HEART-LUNG, liver or
13 autologous and allogeneic bone marrow transplants pursuant to section
14 36-2907, subsection A, paragraph 11, SUBDIVISION (d) as determined by the
15 administrator AND TO ANY PERSON WHO IS ELIGIBLE PURSUANT TO SECTION 36-2901,
16 PARAGRAPH 4, SUBDIVISION (b) AND WHO BECOME ELIGIBLE FOR LUNG OR HEART-LUNG
17 TRANSPLANTS PURSUANT TO SECTION 36-2907, SUBSECTION A, PARAGRAPH 11,
18 SUBDIVISION (b), AS DETERMINED BY THE ADMINISTRATOR.

19 2. Beginning on August 1, 1995 and on the first day of each month
20 thereafter, the sum of one million two hundred fifty thousand dollars shall
21 be transferred from the medically needy account to the ~~medically needy and~~
22 ~~medically indigent program~~ MEDICAL SERVICES stabilization fund for uses as
23 prescribed in section 36-2922.

24 3. From and after August 1, 1995 and each year thereafter, the
25 administration shall transfer not more than fifteen million dollars to the
26 department of health services to be allocated as follows if the department
27 awards a contract:

28 (a) ~~Up to five million dollars, but not less than thirty three and~~
29 ~~thirty four one hundredths per cent~~ ONE-THIRD of the total amount
30 transferred, for the mental health grant program established pursuant to
31 section 36-3414.

32 (b) ~~Up to five million dollars, but not less than thirty three and~~
33 ~~thirty three one hundredths per cent~~ ONE-THIRD of the total amount
34 transferred, for primary care services established pursuant to section
35 36-2907.05.

36 (c) ~~Up to five million dollars, but not less than thirty three and~~
37 ~~thirty three one hundredths per cent~~ ONE-THIRD of the total amount
38 transferred, for grants to the community health centers established
39 pursuant to section 36-2907.06.

40 4. From and after August 1, 1995, the administration shall transfer
41 up to five hundred thousand dollars annually for fiscal years 1995-1996 and
42 1996-1997 for pilot programs providing detoxification services in counties
43 having a population of five hundred thousand persons or less according to the
44 most recent United States decennial census.

1 5. The administration shall transfer up to two hundred fifty thousand
2 dollars annually for fiscal years 1995-1996, 1996-1997 and 1997-1998 for
3 telemedicine pilot programs designed to facilitate the provision of medical
4 services to persons living in medically underserved areas as ~~define~~ PROVIDED
5 in section 36-2352.

6 6. THE ADMINISTRATION SHALL TRANSFER UP TO ONE HUNDRED FIFTY THOUSAND
7 DOLLARS ANNUALLY BEGINNING IN FISCAL YEAR 1996-1997 FOR CONTRACTS BY THE
8 DEPARTMENT OF HEALTH SERVICES WITH NONPROFIT ORGANIZATIONS THAT PRIMARILY
9 ASSIST IN THE MANAGEMENT OF END STAGE RENAL DISEASE AND RELATED PROBLEMS.
10 CONTRACTS SHALL NOT INCLUDE PAYMENTS FOR TRANSPORTATION OF PATIENTS FOR
11 DIALYSIS.

12 7. CONTINGENT ON THE EXISTENCE OF A PREMIUM SHARING DEMONSTRATION
13 PROJECT FUND, BEGINNING OCTOBER 1, 1996 AND UNTIL SEPTEMBER 30, 1999, THE
14 ADMINISTRATION SHALL WITHDRAW THE SUM OF TWENTY MILLION DOLLARS IN EACH OF
15 FISCAL YEARS 1996-1997, 1997-1998 AND 1998-1999 FOR DEPOSIT IN THE PREMIUM
16 SHARING DEMONSTRATION PROJECT FUND ESTABLISHED BY SECTION 36-2923 TO PROVIDE
17 HEALTH CARE SERVICES TO ANY PERSON WHO IS ELIGIBLE FOR AN ARIZONA HEALTH CARE
18 COST CONTAINMENT SYSTEM PREMIUM SHARING DEMONSTRATION PROGRAM ENACTED BY THE
19 LEGISLATURE. THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM PREMIUM SHARING
20 DEMONSTRATION PROGRAM ENACTED BY THE LEGISLATURE SHALL NOT BE AN ENTITLEMENT
21 PROGRAM.

22 8. SUBJECT TO THE AVAILABILITY OF MONIES, THE ARIZONA HEALTH CARE COST
23 CONTAINMENT SYSTEM ADMINISTRATION SHALL TRANSFER TO THE DEPARTMENT OF HEALTH
24 SERVICES UP TO FIVE MILLION DOLLARS ANNUALLY BEGINNING IN FISCAL YEAR
25 1996-1997 FOR PROVIDING NONENTITLEMENT FUNDING FOR A BASIC CHILDREN'S MEDICAL
26 SERVICES PROGRAM ESTABLISHED BY SECTION 36-2907.08. THE ADMINISTRATION MAY
27 ALSO WITHDRAW AND TRANSFER TO THE DEPARTMENT AMOUNTS FOR PROGRAM EVALUATION
28 AND FOR ADMINISTRATIVE COSTS AS PRESCRIBED IN SECTION 36-2907.08.

29 B. The department of health services shall establish an accounting
30 procedure to ensure that all funds transferred pursuant to this section are
31 maintained separately from any other funds.

32 C. The administration shall annually withdraw monies from the
33 medically needy account in the amount necessary to reimburse the department
34 of health services for administrative costs to implement each program
35 established pursuant to subsection A of this section not to exceed two per
36 cent of the amount transferred for each program.

37 D. The administration shall annually withdraw monies from the
38 medically needy account in the amount necessary to reimburse the department
39 of health services for the evaluations as prescribed by section 36-2907.07.

40 E. The administration shall annually report, no later than November
41 1 of each year, to the joint legislative oversight committee on the tobacco
42 tax and health care fund the annual revenues deposited in the medically needy
43 account and the estimated expenditures needed in the subsequent year to
44 provide funding for services provided in subsection A, paragraph 1 of this

1 section. The administration shall immediately report to the cochairs of the
2 oversight committee if at any time the administration estimates that the
3 amount available in the medically needy account will not be sufficient to
4 fund the maximum allocations established in this section.

5 Sec. 3. Section 36-2922, Arizona Revised Statutes, is amended to read:
6 36-2922. Medical services stabilization fund; definition

7 A. Subject to the availability of monies as prescribed in section
8 36-2921, the ~~medically needy and medically indigent program~~ MEDICAL SERVICES
9 stabilization fund is established in the state treasury. The administration
10 shall administer the fund as directed by the joint legislative budget
11 committee pursuant to subsection ~~E~~ E of this section.

12 B. The fund shall be used only to offset ~~unanticipated~~ increases in
13 the cost of providing levels of services established pursuant to this article
14 provided to persons who are determined to be medically indigent pursuant to
15 section 11-297, medically needy pursuant to section 36-2905 or low income
16 children pursuant to section 36-2905.03 as authorized pursuant to this
17 section.

18 C. NOTWITHSTANDING SECTION 42-1241 OR 42-1242, THE FUND MAY ALSO BE
19 USED TO OFFSET INCREASES IN THE COST OF PROVIDING LEVELS OF SERVICES
20 ESTABLISHED PURSUANT TO THIS ARTICLE TO PERSONS ELIGIBLE FOR THOSE SERVICES
21 PURSUANT TO SECTION 36-2901, PARAGRAPH 4, SUBDIVISION (b) IF THE INCREASE
22 RESULTS FROM A DECREASE IN FEDERAL FUNDING FOR LEVELS OF SERVICE INCLUDING
23 A DECREASE IN THE FEDERAL MATCH RATE FOR LEVELS OF SERVICE PROVIDED TO
24 PERSONS ELIGIBLE PURSUANT TO SECTION 36-2901, PARAGRAPH 4, SUBDIVISION (b).

25 ~~E~~ D. If, during a fiscal year, the administration determines that
26 the amount the legislature appropriated for that fiscal year for services
27 provided to persons who are determined to be ~~medically indigent, medically~~
28 ~~needy or low income children~~ ELIGIBLE FOR SERVICES PURSUANT TO SECTION
29 36-2901, PARAGRAPH 4, SUBDIVISION (a), (b), (c) OR (h) is insufficient to pay
30 for unanticipated increases in the cost of providing those services, the
31 administration shall provide written notice of the deficiency to the
32 chairperson of the joint legislative budget committee and the director of the
33 governor's office of strategic planning and budgeting with evidence
34 supporting the determination of deficiency.

35 ~~E~~ E. On receiving notice under subsection ~~E~~ D of this section, the
36 chairperson of the joint legislative budget committee shall call a public
37 committee meeting to review the evidence of the deficiency presented by the
38 administration. After reviewing the evidence, the committee may recommend
39 to the administration to withdraw an amount from the fund that is equal to
40 the deficiency to pay the ~~unanticipated~~ increases in the cost of providing
41 levels of service ~~established pursuant to this article~~.

42 ~~E~~ F. For the purposes of this section "levels of service" means the
43 provider payment methodology, eligibility criteria and covered services
44 established pursuant to this article AND in effect on July 1, 1993.

1 section. The administration shall immediately report to the cochairs of the
2 oversight committee if at any time the administration estimates that the
3 amount available in the medically needy account will not be sufficient to
4 fund the maximum allocations established in this section.

5 Sec. 3. Section 36-2922, Arizona Revised Statutes, is amended to read:
6 36-2922. Medical services stabilization fund: definition

7 A. Subject to the availability of monies as prescribed in section
8 36-2921, the ~~medically needy and medically indigent program~~ MEDICAL SERVICES
9 stabilization fund is established in the state treasury. The administration
10 shall administer the fund as directed by the joint legislative budget
11 committee pursuant to subsection ~~E~~ E of this section.

12 B. The fund shall be used only to offset ~~unanticipated~~ increases in
13 the cost of providing levels of services established pursuant to this article
14 provided to persons who are determined to be medically indigent pursuant to
15 section 11-297, medically needy pursuant to section 36-2905 or low income
16 children pursuant to section 36-2905.03 as authorized pursuant to this
17 section.

18 C. NOTWITHSTANDING SECTION 42-1241 OR 42-1242, THE FUND MAY ALSO BE
19 USED TO OFFSET INCREASES IN THE COST OF PROVIDING LEVELS OF SERVICES
20 ESTABLISHED PURSUANT TO THIS ARTICLE TO PERSONS ELIGIBLE FOR THOSE SERVICES
21 PURSUANT TO SECTION 36-2901, PARAGRAPH 4, SUBDIVISION (b) IF THE INCREASE
22 RESULTS FROM A DECREASE IN FEDERAL FUNDING FOR LEVELS OF SERVICE INCLUDING
23 A DECREASE IN THE FEDERAL MATCH RATE FOR LEVELS OF SERVICE PROVIDED TO
24 PERSONS ELIGIBLE PURSUANT TO SECTION 36-2901, PARAGRAPH 4, SUBDIVISION (b).

25 ~~E~~ D. If, during a fiscal year, the administration determines that
26 the amount the legislature appropriated for that fiscal year for services
27 provided to persons who are determined to be ~~medically indigent, medically~~
28 ~~needy or low income children~~ ELIGIBLE FOR SERVICES PURSUANT TO SECTION
29 36-2901, PARAGRAPH 4, SUBDIVISION (a), (b), (c) OR (h) is insufficient to pay
30 for unanticipated increases in the cost of providing those services, the
31 administration shall provide written notice of the deficiency to the
32 chairperson of the joint legislative budget committee and the director of the
33 governor's office of strategic planning and budgeting with evidence
34 supporting the determination of deficiency.

35 ~~E~~ E. On receiving notice under subsection ~~E~~ D of this section, the
36 chairperson of the joint legislative budget committee shall call a public
37 committee meeting to review the evidence of the deficiency presented by the
38 administration. After reviewing the evidence, the committee may recommend
39 to the administration to withdraw an amount from the fund that is equal to
40 the deficiency to pay the ~~unanticipated~~ increases in the cost of providing
41 levels of service ~~established pursuant to this article~~.

42 ~~E~~ F. For the purposes of this section "levels of service" means the
43 provider payment methodology, eligibility criteria and covered services
44 established pursuant to this article AND in effect on July 1, 1993.

1 Sec. 4. Title 36, chapter 29, article 1, Arizona Revised Statutes, is
2 amended by adding section 36-2923, to read:

3 36-2923. Premium sharing demonstration project fund; purpose;
4 expenditures; lapsing; investment; definition

5 A. A PREMIUM SHARING DEMONSTRATION PROJECT FUND IS ESTABLISHED FOR
6 COSTS ASSOCIATED WITH AN ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM PREMIUM
7 SHARING DEMONSTRATION PROJECT THAT IS TO PROVIDE UNINSURED PERSONS ACCESS TO
8 MEDICAL SERVICES PROVIDED BY SYSTEM PROVIDERS. THE FUND CONSISTS OF MONIES
9 DEPOSITED FROM THE MEDICALLY NEEDY ACCOUNT OF THE TOBACCO TAX AND HEALTH CARE
10 FUND PURSUANT TO SECTION 36-2921, SUBSECTION A, PARAGRAPH 6 AND PREMIUMS
11 COLLECTED FROM DEMONSTRATION PROJECT PARTICIPANTS. THE ADMINISTRATION SHALL
12 ADMINISTER THE FUND AS A CONTINUING APPROPRIATION.

13 B. BEGINNING ON OCTOBER 1, 1997, IF A PREMIUM SHARING DEMONSTRATION
14 PROJECT IS ESTABLISHED, THE ADMINISTRATION SHALL SPEND MONIES IN THE FUND
15 THROUGH THE FIRST QUARTER OF FISCAL YEAR 2000-2001 TO COVER DEMONSTRATION
16 PROJECT EXPENDITURES. THE ADMINISTRATION MAY CONTINUE TO MAKE EXPENDITURES
17 FROM THE FUND, SUBJECT TO THE AVAILABILITY OF MONIES IN THE FUND, FOR
18 COVERING PROGRAM COSTS INCURRED BUT NOT PROCESSED BY THE ADMINISTRATION
19 DURING THE FISCAL YEARS IN WHICH THE PROGRAM OFFICIALLY OPERATED.

20 C. THE DIRECTOR MAY WITHDRAW NOT MORE THAN SEVENTY-FIVE THOUSAND
21 DOLLARS FROM THE FUND FOR THE FIFTEEN MONTH PERIOD BEGINNING JULY 1, 1996 AND
22 ENDING SEPTEMBER 30, 1997 TO COVER ADMINISTRATIVE EXPENDITURES RELATED TO THE
23 DEVELOPMENT OF A PREMIUM SHARING DEMONSTRATION PROJECT PROPOSAL OR ANY
24 PREMIUM SHARING DEMONSTRATION PROJECT ANALYSIS REQUESTED BY A COMMITTEE OF
25 THE LEGISLATURE.

26 D. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190
27 RELATING TO LAPSING OF APPROPRIATIONS, EXCEPT THAT ALL UNEXPENDED AND
28 UNENCUMBERED MONIES REMAINING ON OCTOBER 1, 2001 REVERT TO THE MEDICALLY
29 NEEDY ACCOUNT OF THE TOBACCO TAX AND HEALTH CARE FUND.

30 E. THE STATE TREASURER SHALL INVEST THE MONIES IN THE FUND AND
31 INVESTMENT INCOME SHALL BE CREDITED TO THE FUND.

32 F. FOR PURPOSES OF THIS SECTION, UNLESS OTHERWISE NOTED, "FUND" MEANS
33 THE PREMIUM SHARING DEMONSTRATION PROJECT FUND.

34 Sec. 5. Laws 1996, fifth special session, chapter 5, section 7 is
35 amended to read:

36 Sec. 7. AHCCCS withdrawals, purposes

37 Notwithstanding any other provision of law, for state fiscal year
38 1996-1997, the Arizona health care cost containment system administration
39 shall withdraw, as necessary, the sum of \$16,544,000 from the medically needy
40 account of the tobacco tax and health care fund established pursuant to
41 section 42-1241, subsection C, paragraph 3, Arizona Revised Statutes, subject
42 to the availability of monies in the account for the following purposes and
43 the withdrawals shall be made before the withdrawals for those purposes set
44 forth in section 36-2921, Arizona Revised Statutes:

1 1. \$10,000,000 to discontinue the annual ten million dollar discount
2 on private hospital reimbursement required by Laws 1993, second special
3 session, chapter 6, section 39 as amended by Laws 1995, first special
4 session, chapter 5, section 10.

5 2. \$4,522,800 to continue the scheduled phase-out of the quick payment
6 discount required by SECTIONS 8-512, 36-2903.01 AND 36-2904, ARIZONA REVISED
7 STATUTES, LAWS 1992, CHAPTER 302, SECTION 14, AS AMENDED BY Laws 1993, second
8 special session, chapter 6, section 29, ~~as amended by 27~~ AND Laws 1995, first
9 special session, chapter 5, section ~~6~~ 6, AND LAWS 1993, SECOND SPECIAL
10 SESSION, CHAPTER 6, SECTION 29, AS AMENDED BY LAWS 1995, FIRST SPECIAL
11 SESSION, CHAPTER 5, SECTION 8.

12 3. \$2,021,200 to replace federal funds reduced due to the lower
13 federal matching assistance percentage for federal fiscal year 1996-1997 as
14 reported by the United States department of health and human services.

15 Sec. 6. Arizona health care cost containment system premium
16 sharing demonstration project implementation
17 committee; recommendations

18 A. The Arizona health care cost containment system premium sharing
19 demonstration project implementation committee is established to make
20 recommendations to the governor and the legislature regarding the
21 implementation of a premium sharing demonstration program to begin October
22 1, 1997. The committee shall use as the primary framework in developing
23 program recommendations the contents of House Bill 2508 and Senate Bill 1219
24 introduced during the second regular session of the forty-second legislature.
25 The committee shall recommend a program designed to allow eligible persons
26 access to medical services provided by system providers through a cost
27 sharing arrangement with the Arizona health care cost containment system
28 administration.

29 B. The president of the senate and the speaker of the house of
30 representatives shall each appoint three members of the legislature to serve
31 on the implementation committee, with no more than two appointees from each
32 house representing the same political party. The president of the senate and
33 the speaker of the house of representatives shall each select one of their
34 three appointees to be cochairmen of the committee. The committee shall
35 provide a report of their recommendations to the governor, the president of
36 the senate, the speaker of the house of representatives, the secretary of
37 state, the director of the department of library, archives and public records
38 and the director of the Arizona legislative council by November 15, 1996.

39 C. When recommending eligibility criteria for project participants,
40 the committee shall recommend the household income threshold for project
41 participation that shall not exceed three hundred per cent of the federal
42 poverty guidelines published by the United States department of health and
43 human services. The committee shall also develop recommendations regarding
44 resource and asset thresholds for project eligibility. Eligibility criteria

1 1. \$10,000,000 to discontinue the annual ten million dollar discount
2 on private hospital reimbursement required by Laws 1993, second special
3 session, chapter 6, section 39 as amended by Laws 1995, first special
4 session, chapter 5, section 10.

5 2. \$4,522,800 to continue the scheduled phase-out of the quick payment
6 discount required by SECTIONS 8-512, 36-2903.01 AND 36-2904, ARIZONA REVISED
7 STATUTES, LAWS 1992, CHAPTER 302, SECTION 14, AS AMENDED BY Laws 1993, second
8 special session, chapter 6, section ~~29~~, as amended by 27 AND Laws 1995, first
9 special session, chapter 5, section ~~6~~ 6, AND LAWS 1993, SECOND SPECIAL
10 SESSION, CHAPTER 6, SECTION 29, AS AMENDED BY LAWS 1995, FIRST SPECIAL
11 SESSION, CHAPTER 5, SECTION 8.

12 3. \$2,021,200 to replace federal funds reduced due to the lower
13 federal matching assistance percentage for federal fiscal year 1996-1997 as
14 reported by the United States department of health and human services.

15 Sec. 6. Arizona health care cost containment system premium
16 sharing demonstration project implementation
17 committee: recommendations

18 A. The Arizona health care cost containment system premium sharing
19 demonstration project implementation committee is established to make
20 recommendations to the governor and the legislature regarding the
21 implementation of a premium sharing demonstration program to begin October
22 1, 1997. The committee shall use as the primary framework in developing
23 program recommendations the contents of House Bill 2508 and Senate Bill 1219
24 introduced during the second regular session of the forty-second legislature.
25 The committee shall recommend a program designed to allow eligible persons
26 access to medical services provided by system providers through a cost
27 sharing arrangement with the Arizona health care cost containment system
28 administration.

29 B. The president of the senate and the speaker of the house of
30 representatives shall each appoint three members of the legislature to serve
31 on the implementation committee, with no more than two appointees from each
32 house representing the same political party. The president of the senate and
33 the speaker of the house of representatives shall each select one of their
34 three appointees to be cochairman of the committee. The committee shall
35 provide a report of their recommendations to the governor, the president of
36 the senate, the speaker of the house of representatives, the secretary of
37 state, the director of the department of library, archives and public records
38 and the director of the Arizona legislative council by November 15, 1996.

39 C. When recommending eligibility criteria for project participants,
40 the committee shall recommend the household income threshold for project
41 participation that shall not exceed three hundred per cent of the federal
42 poverty guidelines published by the United States department of health and
43 human services. The committee shall also develop recommendations regarding
44 resource and asset thresholds for project eligibility. Eligibility criteria

1 recommendations shall also include provisions that require an applicant for
2 project services to be all of the following:

3 1. A United States citizen or a legal alien.

4 2. A resident of this state.

5 3. Uninsured for a period of at least six months before application
6 for project services.

7 4. Meet a minimum resource test established for the project.

8 D. The committee shall direct the Arizona health care cost containment
9 system administration to conduct actuarial studies that provide estimates
10 relating to presentation rates and potential premium sharing costs based on
11 parameters recommended in this section and any other parameters the committee
12 establishes. The committee shall evaluate the feasibility of devising
13 separate premium schedules based on different household sizes. At the
14 direction of the committee, the Arizona health care cost containment system
15 administration shall provide details on the methodology for determining the
16 premium share cost for participants and the justification for the methodology
17 used.

18 E. The committee shall evaluate the information obtained pursuant to
19 subsections C and D of this section and shall recommend details on the
20 locations for the premium sharing demonstration project and the feasibility
21 of limiting the number of project participants.

22 F. The committee shall recommend a service package that shall be
23 delivered through the Arizona health care cost containment system and may
24 include health care and hospitalization services similar to those provided
25 pursuant to section 36-2907, Arizona Revised Statutes. The committee may
26 consider alternative service packages for project participants.

27 G. The committee shall recommend the entity that should be responsible
28 for collecting the premiums and the method for collecting the premiums.

29 H. The committee shall ensure that its recommendations for the
30 demonstration project clearly indicate that:

31 1. The provisions of the project to be implemented neither entail an
32 applicant's entitlement to project services nor obligate the Arizona health
33 care cost containment system in any manner to provide coverage to persons
34 beyond the number that can be served by the resources specifically dedicated
35 by the legislature for the project.

36 2. The director of the Arizona health care cost containment system
37 administration shall use the monies available in the premium sharing
38 demonstration project fund, established by section 36-2923, Arizona Revised
39 Statutes, in a manner that ensures that the demonstration project can be in
40 operation over the period of time beginning October 1, 1997 and ending
41 September 30, 2000.

42 3. The director of the Arizona health care cost containment system
43 administration shall administer the project and use any project control
44 mechanism available such as an enrollment cap in a manner that ensures that

1 the project does not result in expenditures that would exceed the monies
2 available in the premium sharing demonstration project fund, established
3 pursuant to section 36-2923, Arizona Revised Statutes, as added by this act.

4 I. For purposes of this section, "project" means the Arizona health
5 care cost containment system premium sharing demonstration project that is
6 to be designed and developed according to the provisions of this section.

7 Sec. 7. Rules; exemption

8 The department of health services is exempt from the rule making
9 requirements of title 41, chapter 6, Arizona Revised Statutes, to implement
10 the requirements of section 36-2907.08, Arizona Revised Statutes, as added
11 by this act. The department shall conduct public hearings, including at
12 least two in counties with a population of less than five hundred thousand
13 persons according to the most recent United States decennial census, before
14 it adopts exempted rules. The department shall publish adopted rules
15 pursuant to title 41, chapter 6, Arizona Revised Statutes.

16 Sec. 8. Delayed repeal

17 Section 6 of this act is repealed from and after December 31, 1996.

18 Sec. 9. Conditional delayed repeal

19 A. Section 36-2923, Arizona Revised Statutes, as added by this act,
20 is repealed from and after December 31, 1997 if the premium sharing
21 demonstration project is not implemented by that date.

22 B. If section 36-2923, Arizona Revised Statutes, is repealed pursuant
23 to this section, monies remaining in the premium sharing demonstration
24 project fund revert to the medically needy account of the tobacco tax and
25 health care fund established under section 42-1241, Arizona Revised Statutes.

26 Sec. 10. Tobacco tax and health care fund; transfer of monies;
27 appropriation

28 Effective on October 1, 1996, the sum of \$30,000,000 is transferred
29 from the medically needy account of the tobacco tax and health care fund
30 established by section 42-1241, Arizona Revised Statutes, to the medical
31 services stabilization fund established by section 36-2922, Arizona Revised
32 Statutes, and is appropriated to that fund. The state treasurer shall make
33 this one-time transfer.

APPROVED BY THE GOVERNOR MAY 2, 1996

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 2, 1996

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2 available in the premium sharing demonstration project fund, established
3 pursuant to section 36-2923, Arizona Revised Statutes, as added by this act.

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APPROVED BY THE GOVERNOR MAY 2, 1996

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 2, 1996

For Committee on Health _____

For Caucus and Floor Action _____

_____ For Committee on _____

As Passed the House _____

**ARIZONA HOUSE OF REPRESENTATIVES
SECOND REGULAR SESSION - 1996**

BILL SUMMARY FOR HB 2508

premium sharing

Introduced by: Weiers, Knaperek, Killian

HB 2508 amends statutes relating to the Arizona Health Care Cost Containment System (AHCCCS) state-funded medically needy/medically indigent (MN/MI) program as follows:

Medically Needy Premium Sharing Demonstration Project:

- Establishes a three year, medically needy premium sharing demonstration project (MN) beginning October 1, 1997 to serve persons who are "medically needy residents" by replacing the current state-funded MN/MI program.
- Establishes criteria to define those MN members who shall pay a premium and those who shall not as follows:
 - A "medically needy resident," must have an annual individual income that does not exceed \$3200, or is between \$3333 and \$4266 if the person is living with a dependent member of the family household or if married and living with a spouse. These persons are not required to pay either a premium or copayment.
 - A person who's annual income exceeds \$3200, but is less than 300% of the Federal Poverty Level (FPL) may also apply for the MN program, but will be required to pay a percentage of the premium as well as a copayment.
- Maintains the current resource requirements for the new MN program, which require an applicant's household net worth of resources not to exceed \$50,000; for an individual applicant who is married, any separate property of the applicant's spouse that does not exceed \$75,000 shall not be included in determining the net worth of the applicant's resources
- Removes the "spend down" allowance in determining eligibility. Currently, an applicant may apply his or her medical bills toward the income eligibility criteria. Under HB 2508, an applicant's medical expenses will not be used to reduce the value of the applicant's annual income
- States that an applicant's annual income is calculated by multiplying by 4 the applicant's estimated income immediately following the date of application for eligibility for the system. Currently, in calculating eligibility for county hospitalization and medical care of the indigent sick, the annual income of an individual shall be determined by multiplying by 4 the income for the three months immediately prior to application. The new method estimates an applicant's true income prospectively for a more accurate determination.

- Provides that a person who is eligible for services for the MN/MI program before the effective date of this act may continue to receive services after the effective date of this act for the remaining period allowed at the time they were determined to be eligible. Once the six-month cycle is complete, the person is eligible to reapply for the new program.
- Retains current law which prohibits an applicant who, within three years before filing an application for eligibility, has transferred or assigned real or personal property with the intent to make the applicant eligible for the system.
- Allows a county board of supervisors to adopt a definition of medically indigent which includes persons or family households not defined as medically indigent pursuant to this bill.
- Prohibits a person who voluntarily leaves the system from submitting an application for coverage until at least six months have elapsed. Furthermore, a person is not eligible for services under section 36-2905 unless that person has not been covered by a health care program for not less than six months.

Premium Sharing:

- Requires the director to establish the premium sharing amounts based on an applicant's income level and the number of persons in the household. The premium percentages increase exponentially as income levels increase.

The Administration shall establish a method of collecting the medically needy premiums, which shall be paid to the entity determined by the Administration. Premiums are due on the first day of each month prior to the month in which coverage begins.

Retroactive Coverage:

- Removes retroactive coverage. Currently, the Administration is retroactively liable for payment for care which was provided two days prior to the date that a county determined the person's eligibility. Under HB 2508, the Administration would not be liable for an individual's emergency hospitalization and medical care provided before a person is enrolled in a health plan.

Eligibility Standards

- Repeals the eligibility standards for medically indigent services since the MN \$3200 income limit includes those currently defined as medically indigent with annual income below \$2500.

Residency Requirements:

- States that the rules adopted by the director of AHCCCS regarding residency requirements shall require that state residency is only established if the applicant shows that he/she has lived in this state for a minimum of two consecutive years immediately before the date of application.
- Eliminates the special eligibility officer's authority to grant residency based on proofs of residency other than those enumerated in statute, to an applicant who has relocated to this state from another state or foreign country within six months before the date of application. Currently, the special eligibility officer can waive the statutory proof-of-residency requirements at his/her discretion and grant residency to an applicant based on some other proof of credible evidence of residency.

- Provides that a person who is eligible for services for the MN/MI program before the effective date of this act may continue to receive services after the effective date of this act for the remaining period allowed at the time they were determined to be eligible. Once the six-month cycle is complete, the person is eligible to reapply for the new program.
- Retains current law which prohibits an applicant who, within three years before filing an application for eligibility, has transferred or assigned real or personal property with the intent to make the applicant eligible for the system.
- Allows a county board of supervisors to adopt a definition of medically indigent which includes persons or family households not defined as medically indigent pursuant to this bill.
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Copayments:

- Requires the Administration to adopt rules for the imposition of a \$5 copayment for MN persons for each physician's office visit or home visit. The rules may not provide for a waiver of copayments in appropriate circumstances.

Tobacco Tax Allocation:

- Provides, beginning October 1, 1997, that the Administration shall withdraw \$50,000,000, subject to legislative appropriation, from the medically needy account to pay for providing health care services to those persons eligible for the demonstration project.
- ^{10/1/97} Eliminates the appropriation of \$1,250,000 per month to the stabilization fund. As a result, this \$30,000,000 will become part of the \$50,000,000 used to pay for the MN program.
- Removes the requirement that the Administration withdraw the amount necessary to pay the state share of costs for providing health care services to any person who is eligible under the current statutes.



Appendix C

Summary of Tobacco Tax Accounts

SUMMARY OF ACCOUNTS

Tobacco Tax and Health Care Fund	<u>FY 1996</u>	<u>FY 1997</u>
FUNDS AVAILABLE		
Revenue	<u>\$124,987,200</u>	<u>\$124,000,000</u>
ALLOCATION		
DOR Administration	314,300	331,000
Transfer to AHCCCS-MEDICALLY NEEDY	89,036,200	88,237,200
Transfer to DHS-HEALTH EDUCATION	27,093,000	28,992,200
Transfer to DHS-HEALTH RESEARCH	8,404,000	6,302,700
Transfer to DOC Corrections	<u>139,700</u>	<u>136,900</u>
TOTAL ALLOCATION	<u>124,987,200</u>	<u>124,000,000</u>

AHCCCS Accounts

◆ AHCCCS Medically Needy Account

FUNDS AVAILABLE
 Balance Forward
 Transfer In - Tobacco Tax and Health Care Fund
 TOTAL FUNDS AVAILABLE

	FY 1996	FY 1997
Balance Forward	\$39,369,600	\$101,523,600
Transfer In - Tobacco Tax and Health Care Fund	89,036,200	88,237,200
TOTAL FUNDS AVAILABLE	128,405,800	189,760,800

AUTHORIZATION FOR USE

ALLOCATION

Offset Loss in Federal Funding
 Phase-Down of Quick Pay Discount
 \$10 M Hospital Reimbursement
 Transplants
 Transfer to AHCCCS-Medical Services Stab Fund
 Transfer to AHCCCS-Premium Sharing Demo Project Fund
 Transfer to DHS-Medically Needy
 TOTAL ALLOCATION
 BALANCE FORWARD

Offset Loss in Federal Funding	0	2,021,200
Phase-Down of Quick Pay Discount	0	4,522,800
\$10 M Hospital Reimbursement	0	10,000,000
Transplants	734,800	8,365,800
Transfer to AHCCCS-Medical Services Stab Fund	14,065,400	46,912,500
Transfer to AHCCCS-Premium Sharing Demo Project Fund	0	20,000,000
Transfer to DHS-Medically Needy	12,082,000	21,422,000
TOTAL ALLOCATION	26,882,200	113,244,300
BALANCE FORWARD	\$101,523,600	\$76,516,500

◆ AHCCCS Medical Services Stabilization Fund

FUNDS AVAILABLE
 Balance Forward
 Transfer In - AHCCCS-Medically Needy
 TOTAL FUNDS AVAILABLE

Balance Forward	\$0	\$14,065,400
Transfer In - AHCCCS-Medically Needy	14,065,400	46,912,500
TOTAL FUNDS AVAILABLE	\$14,065,400	\$60,977,900

◆ AHCCCS Premium Sharing Demo Project Fund

FUNDS AVAILABLE
 Balance Forward
 Transfer In - AHCCCS-Medically Needy
 TOTAL FUNDS AVAILABLE

Balance Forward	\$0	\$0
Transfer In - AHCCCS-Medically Needy	0	20,000,000
TOTAL FUNDS AVAILABLE	0	20,000,000

ALLOCATION

Administrative and Analysis Expenses
 BALANCE FORWARD

Administrative and Analysis Expenses	0	75,000
BALANCE FORWARD	\$0	\$19,925,000

Authorized from 7-1-96 to 8-31-97

Department of Health Services Accounts

◆ DHS Health Education Account

FY 1996 FY 1997

AUTHORIZATION FOR USE

FUNDS AVAILABLE	\$12,938,400	\$30,322,100
Balance Forward	27,093,000	28,992,200
Transfer In - Tobacco Tax and Health Care Fund	40,031,400	59,314,300
TOTAL FUNDS AVAILABLE	109,992,800	147,618,800

ALLOCATION

Operating Subtotal	9,709,300	15,000,000
BALANCE FORWARD	\$30,322,100	\$44,314,300

Permanent per 42-1244, FY 1996 and FY 1997 use limited by Laws 1995, Ch 275

◆ DHS Health Research Account

FUNDS AVAILABLE

Balance Forward	\$0	\$7,996,100
Transfer In - Tobacco Tax and Health Care Fund	8,404,000	6,302,700
TOTAL FUNDS AVAILABLE	8,404,000	14,298,800

ALLOCATION

Disease Control Research Commission	407,900	5,067,200
BALANCE FORWARD	\$7,996,100	\$9,231,600

Permanent per 36-275, FY 1996 use limited by Laws 1995, Ch 275

◆ DHS Medically Needy Allocations

FUNDS AVAILABLE

Balance Forward	\$0	\$637,200
Transfer In - AHCSS/Medically Needy	12,082,000	21,422,000
TOTAL FUNDS AVAILABLE	12,082,000	22,059,200

ALLOCATION

Primary Care Programs	1,600,000	5,100,000
Qualifying Community Health Centers	1,600,000	5,100,000
Telmedicine	255,000	255,000
Mental Health Programs for Non-Title 19	3,489,800	5,000,000
Detoxification Services	500,000	500,000
Renal Disease Management	0	150,000
Basic Children's Medical Services Program	0	5,100,000
Evaluations	0	854,200
TOTAL FUNDS EXPENDED	11,444,800	22,059,200

Permanent per 36-2921
 Permanent per 36-2921
 Authorized for FY 1996, 1997, 1998
 Permanent per 36-2921
 Authorized for FY 1996 and 1997
 Permanent per 36-2921
 Permanent per 36-2921
 Permanent per 36-2921
 Permanent per 36-2921

BALANCE FORWARD

\$637,200

\$0

Other Accounts

◆ **DOC Corrections Fund**

FUNDS AVAILABLE:

Transfer In - Tobacco Tax and Health Care Fund

	<u>FY 1996</u>	<u>FY 1997</u>
	<u>\$139,700</u>	<u>\$136,900</u>

AUTHORIZATION FOR USE

ALLOCATION

Comingled with other revenue sources for capital expenditures

	<u>\$139,700</u>	<u>\$136,900</u>
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Permanent per 42-1241

•••

◆ **DOR Administration**

ADMINISTRATION AND ENFORCEMENT EXPENSES

	<u>\$314,300</u>	<u>\$331,000</u>
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Permanent per 42-1243

BALANCE FORWARD - ALL ACCOUNTS 1/

	<u>\$140,479,000</u>	<u>\$130,062,400</u>
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1/ Does not include balances in the Medical Services Stabilization Fund

JL BC Staff
11/20/96
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Appendix D

**AHCCCS Premium Sharing Proposal Estimated Impact,
William Mercer, Inc.**

Goal: Quantify the Risk of the Proposed Program

- A. Approach**

- B. Environment**

- C. Process**

- D. Preliminary Estimates**

AHCCCS - PREMIUM SHARING PROPOSAL ESTIMATED IMPACT

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12/11/96 17:45

Goal: Quantify the Risk of the Proposed Program

A. Approach:

- 1.) Program Design
 - Eligibility Criteria/Process
 - Enforcement
 - Marketing
 - Premium Sharing
- 2.) Population
 - Existing Programs
 - Current Population Survey Data/Harris Survey
- 3.) Benefit Package
 - Commercial
- 4.) Service Delivery Network
 - AHCCCS/Health Care Group
 - Commercial HMOs/Fee For Service
 - MSA/Catastrophic Coverage

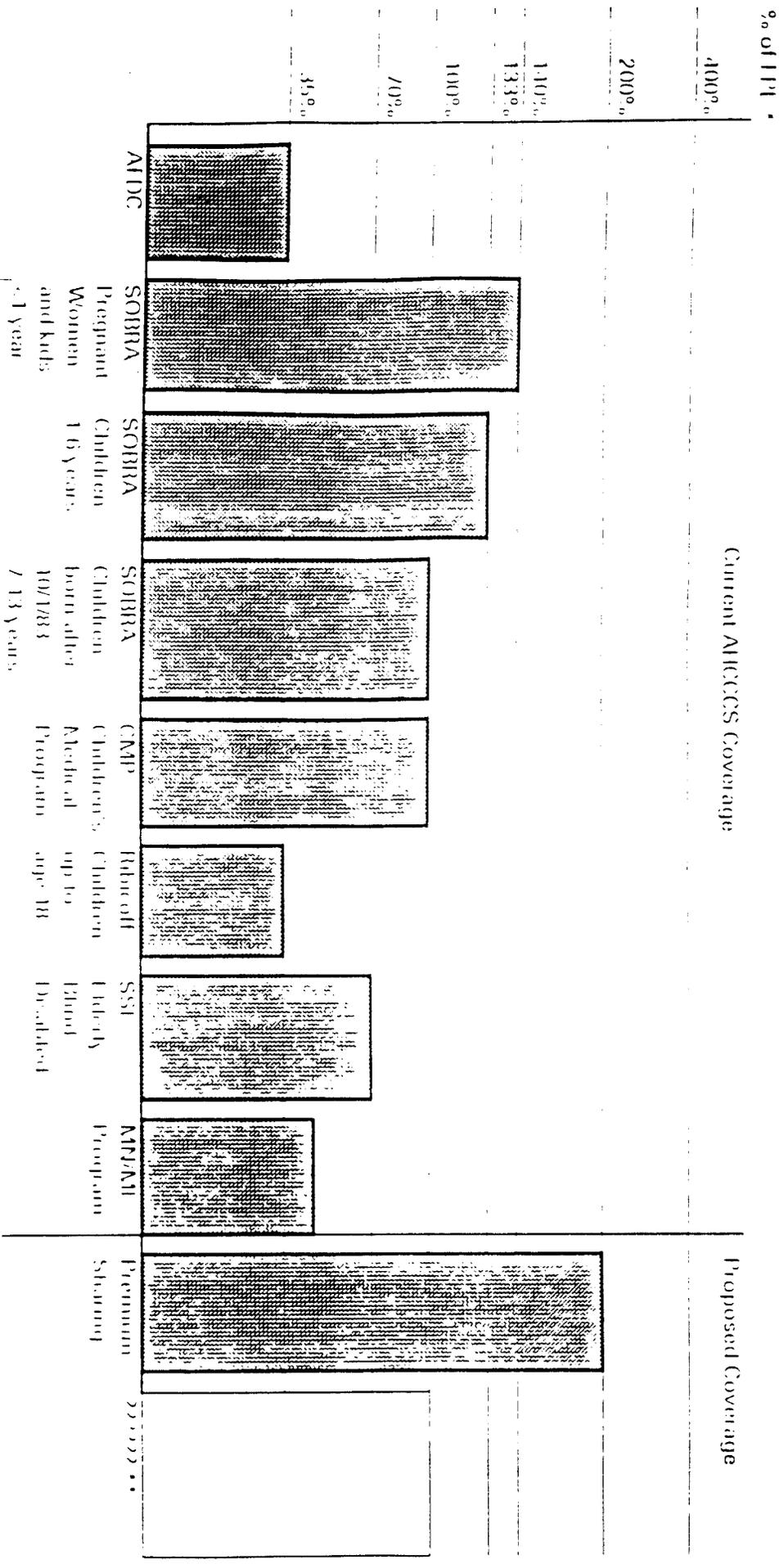
AICCCS - PREMIUM SHARING PROPOSAL ESTIMATED IMPACT

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12/11/96 17.06

Goal: Quantify the Risk of the Proposed Program

3. Environment:



* IPI - Federal Poverty Level
 ** Additional Proposed AICCCS Expansion Groups?

AICCCS - PREMIUM SHARING PROPOSAL ESTIMATED IMPACT

GLOBAL A710 XVII (PREM SHARING ESTIMATED IMPACT)

12/11/96 17:06

Goal: Quantify the Risk of the Proposed Program

C. Process:

- o Assume Uninsured Average Cost approximately equal to Insured
- o Determine Cost Structure of Uninsured Population
- o Estimate Presentation by Cost Level
- o Determine Adjusted Average Cost
- o Select Base Capitation Rate
- o Adjust for Differences within Base Capitation Rate
- o Apply Selection
- o Adjust for Age/Sex Rate Structure

MHCCCS - PREMIUM SHARING PROPOSAL ESTIMATED IMPACT

MDAL AZU XVII (PH) AE VG, XLS, SH, RPODC

12/11/96 17:06

Plan Design:	Basic	Exclusions:
Physician Co Pay	\$ 8.00 Per Visit, All services w/ a single visit included	Sterilizations/Tubal Ligation/Morplant
IR	\$ 25.00 Per Visit, Waived if admitted	DME
Hospital	\$ 50.00 Per Visit, Non emergent use of ER	If carved out, limit MI/SA
Drugs	\$ 50.00 Per Admission, limit 3 per family annually	90 Day waiting period
	\$ 3.00 Generic	
	50% Brand Name	
ab/X Ray (Stand-A)	\$ 8.00 Per Visit	
III Inpatient	\$ 50.00 Per Admission, 10 day max annually	
III Visit	\$ 10.00 Per Individual session, \$5 per group	
Out-of-Area	\$ 50.00 Per Visit, Use out of HMO service area	
Remun	\$ 10.00 Individual, Monthly	
	\$ 20.00 Family, Monthly	

assumptions

Only individuals who have not had health insurance for 12 months are eligible. Aggressive disenrollment have been identified and not pay individuals do not pay premium timely. Barred from program if persistent payment problems.

Appendix E

Federal Poverty Levels

POVERTY LEVEL GUIDELINES

Annual Poverty Guidelines					
FAMILY SIZE	100%	150%	200%	250%	300%
1	\$7,740.00	\$11,610.00	\$15,480.00	\$19,350.00	\$23,220.00
2	\$10,360.00	\$15,540.00	\$20,720.00	\$25,900.00	\$31,080.00
3	\$12,980.00	\$19,470.00	\$25,960.00	\$32,450.00	\$38,940.00
4	\$15,600.00	\$23,400.00	\$31,200.00	\$39,000.00	\$46,800.00
5	\$18,220.00	\$27,330.00	\$36,440.00	\$45,550.00	\$54,660.00
6	\$20,840.00	\$31,260.00	\$41,680.00	\$52,100.00	\$62,520.00
Monthly Poverty Guidelines					
FAMILY SIZE	100%	150%	200%	250%	300%
1	\$645.00	\$967.50	\$1,290.00	\$1,612.50	\$1,935.00
2	\$863.33	\$1,295.00	\$1,726.67	\$2,158.33	\$2,590.00
3	\$1,081.67	\$1,622.50	\$2,163.33	\$2,704.17	\$3,245.00
4	\$1,300.00	\$1,950.00	\$2,600.00	\$3,250.00	\$3,900.00
5	\$1,518.33	\$2,277.50	\$3,036.67	\$3,795.83	\$4,555.00
6	\$1,736.67	\$2,605.00	\$3,473.33	\$4,341.67	\$5,210.00

Appendix F

Poverty Levels and Percent of Income Table

FAMILY SIZE	ANNUAL INCOME	MONTHLY INCOME	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%
100% FPL													
1	\$7,740.00	\$645.00	\$6.45	\$12.90	\$19.35	\$25.80	\$32.25	\$38.70	\$45.15	\$51.60	\$58.05	\$64.50	\$70.95
2	\$10,360.00	\$863.33	\$8.63	\$17.27	\$25.90	\$34.53	\$43.17	\$51.80	\$60.43	\$69.07	\$77.70	\$86.33	\$94.97
3	\$12,980.00	\$1,081.67	\$10.82	\$21.63	\$32.45	\$43.27	\$54.08	\$64.90	\$75.72	\$86.53	\$97.35	\$108.17	\$118.98
4	\$15,600.00	\$1,300.00	\$13.00	\$26.00	\$39.00	\$52.00	\$65.00	\$78.00	\$91.00	\$104.00	\$117.00	\$130.00	\$143.00
5	\$18,220.00	\$1,518.33	\$15.18	\$30.37	\$45.55	\$60.73	\$75.92	\$91.10	\$106.28	\$121.47	\$136.65	\$151.83	\$167.02
6	\$20,840.00	\$1,736.67	\$17.37	\$34.73	\$52.10	\$69.47	\$86.83	\$104.20	\$121.57	\$138.93	\$156.30	\$173.67	\$191.03
150% FPL													
1	\$11,610.00	\$967.50	\$9.68	\$19.35	\$29.03	\$38.70	\$48.38	\$58.05	\$67.73	\$77.40	\$87.08	\$96.75	\$106.43
2	\$15,540.00	\$1,295.00	\$12.95	\$25.90	\$38.85	\$51.80	\$64.75	\$77.70	\$90.65	\$103.60	\$116.55	\$129.50	\$142.45
3	\$19,470.00	\$1,622.50	\$16.23	\$32.45	\$48.68	\$64.90	\$81.13	\$97.35	\$113.58	\$129.80	\$146.03	\$162.25	\$178.48
4	\$23,400.00	\$1,950.00	\$19.50	\$39.00	\$58.50	\$78.00	\$97.50	\$117.00	\$136.50	\$156.00	\$175.50	\$195.00	\$214.50
5	\$27,330.00	\$2,277.50	\$22.78	\$45.55	\$68.33	\$91.10	\$113.88	\$136.65	\$159.43	\$182.20	\$204.98	\$227.75	\$250.53
6	\$31,260.00	\$2,605.00	\$26.05	\$52.10	\$78.15	\$104.20	\$130.25	\$156.30	\$182.35	\$208.40	\$234.45	\$260.50	\$286.55
200% FPL													
1	\$15,480.00	\$1,290.00	\$12.90	\$25.80	\$38.70	\$51.60	\$64.50	\$77.40	\$90.30	\$103.20	\$116.10	\$129.00	\$141.90
2	\$20,720.00	\$1,726.67	\$17.27	\$34.53	\$51.80	\$69.07	\$86.33	\$103.60	\$120.87	\$138.13	\$155.40	\$172.67	\$189.93
3	\$25,960.00	\$2,163.33	\$21.63	\$43.27	\$64.90	\$86.53	\$108.17	\$129.80	\$151.43	\$173.07	\$194.70	\$216.33	\$237.97
4	\$31,200.00	\$2,600.00	\$26.00	\$52.00	\$78.00	\$104.00	\$130.00	\$156.00	\$182.00	\$208.00	\$234.00	\$260.00	\$286.00
5	\$36,440.00	\$3,036.67	\$30.37	\$60.73	\$91.10	\$121.47	\$151.83	\$182.20	\$212.57	\$242.93	\$273.30	\$303.67	\$334.03
6	\$41,680.00	\$3,473.33	\$34.73	\$69.47	\$104.20	\$138.93	\$173.67	\$208.40	\$243.13	\$277.87	\$312.60	\$347.33	\$382.07
250% FPL													
1	\$19,350.00	\$1,612.50	\$16.13	\$32.25	\$48.38	\$64.50	\$80.63	\$96.75	\$112.88	\$129.00	\$145.13	\$161.25	\$177.38
2	\$25,900.00	\$2,158.33	\$21.58	\$43.17	\$64.75	\$86.33	\$107.92	\$129.50	\$151.08	\$172.67	\$194.25	\$215.83	\$237.42
3	\$32,450.00	\$2,704.17	\$27.04	\$54.08	\$81.13	\$108.17	\$135.21	\$162.25	\$189.29	\$216.33	\$243.37	\$270.42	\$297.46
4	\$39,000.00	\$3,250.00	\$32.50	\$65.00	\$97.50	\$130.00	\$162.50	\$195.00	\$227.50	\$260.00	\$292.50	\$325.00	\$357.50
5	\$45,550.00	\$3,795.83	\$37.96	\$75.92	\$113.88	\$151.83	\$189.79	\$227.75	\$265.71	\$303.67	\$341.63	\$379.58	\$417.54
6	\$52,100.00	\$4,341.67	\$43.42	\$86.83	\$130.25	\$173.67	\$217.08	\$260.50	\$303.92	\$347.33	\$390.75	\$434.17	\$477.58
300% FPL													
1	\$23,220.00	\$1,935.00	\$19.35	\$38.70	\$58.05	\$77.40	\$96.75	\$116.10	\$135.45	\$154.80	\$174.15	\$193.50	\$212.85
2	\$31,080.00	\$2,590.00	\$25.90	\$51.80	\$77.70	\$103.60	\$129.50	\$155.40	\$181.30	\$207.20	\$233.10	\$259.00	\$284.90
3	\$38,940.00	\$3,245.00	\$32.45	\$64.90	\$97.35	\$129.80	\$162.25	\$194.70	\$227.15	\$259.60	\$292.05	\$324.50	\$356.95
4	\$46,800.00	\$3,900.00	\$39.00	\$78.00	\$117.00	\$156.00	\$195.00	\$234.00	\$273.00	\$312.00	\$351.00	\$390.00	\$429.00
5	\$54,660.00	\$4,555.00	\$45.55	\$91.10	\$136.65	\$182.20	\$227.75	\$273.30	\$318.85	\$364.40	\$409.95	\$455.50	\$501.05
6	\$62,520.00	\$5,210.00	\$52.10	\$104.20	\$156.30	\$208.40	\$312.60	\$364.70	\$416.80	\$468.90	\$521.00	\$573.10	

FAMILY SIZE	12%	13%	14%	15%	1% to 5%
100% FPL					
1	\$77.40	\$83.85	\$90.30	\$96.75	\$6.45
2	\$103.60	\$112.23	\$120.87	\$129.50	\$8.63
3	\$129.80	\$140.62	\$151.43	\$162.25	\$10.82
4	\$156.00	\$169.00	\$182.00	\$195.00	\$13.00
5	\$182.20	\$197.38	\$212.57	\$227.75	\$15.18
6	\$208.40	\$225.77	\$243.13	\$260.50	\$17.37
150% FPL					
1	\$116.10	\$125.78	\$135.45	\$145.13	\$19.35
2	\$155.40	\$168.35	\$181.30	\$194.25	\$25.90
3	\$194.70	\$210.93	\$227.15	\$243.38	\$32.45
4	\$234.00	\$253.50	\$273.00	\$292.50	\$39.00
5	\$273.30	\$296.08	\$318.85	\$341.63	\$45.55
6	\$312.60	\$338.65	\$364.70	\$390.75	\$52.10
200% FPL					
1	\$154.80	\$167.70	\$180.60	\$193.50	\$38.70
2	\$207.20	\$224.47	\$241.73	\$259.00	\$51.80
3	\$259.60	\$281.23	\$302.87	\$324.50	\$64.90
4	\$312.00	\$338.00	\$364.00	\$390.00	\$78.00
5	\$364.40	\$394.77	\$425.13	\$455.50	\$91.10
6	\$416.80	\$451.53	\$486.27	\$521.00	\$104.20
250% FPL					
1	\$193.50	\$209.63	\$225.75	\$241.88	\$64.50
2	\$259.00	\$280.58	\$302.17	\$323.75	\$86.33
3	\$324.50	\$351.54	\$378.58	\$405.62	\$108.17
4	\$390.00	\$422.50	\$455.00	\$487.50	\$130.00
5	\$455.50	\$493.46	\$531.42	\$569.38	\$151.83
6	\$521.00	\$564.42	\$607.83	\$651.25	\$173.67
300% FPL					
1	\$232.20	\$251.55	\$270.90	\$290.25	\$96.75
2	\$310.80	\$336.70	\$362.60	\$388.50	\$129.50
3	\$389.40	\$421.85	\$454.30	\$486.75	\$162.25
4	\$468.00	\$507.00	\$546.00	\$585.00	\$195.00
5	\$546.60	\$592.15	\$637.70	\$683.25	\$227.75
6	\$625.20	\$677.30	\$729.40	\$781.50	\$260.50

FAMILY SIZE	12%	13%	14%	15%	1% to 5%
100% FPL					
1	\$77 40	\$83 85	\$90 30	\$96 75	\$6 45
2	\$103 60	\$112 23	\$120 87	\$129 50	\$8 63
3	\$129 80	\$140 62	\$151 43	\$162 25	\$10 82
4	\$156 00	\$169 00	\$182 00	\$195 00	\$13 00
5	\$182 20	\$197 38	\$212 57	\$227 75	\$15 18
6	\$208 40	\$225 77	\$243 13	\$260 50	\$17 37
150% FPL					
1	\$116 10	\$125 78	\$135 45	\$145 13	\$19 35
2	\$155 40	\$168 35	\$181 30	\$194 25	\$25 90
3	\$194 70	\$210 93	\$227 15	\$243 38	\$32 45
4	\$234 00	\$253 50	\$273 00	\$292 50	\$39 00
5	\$273 30	\$296 08	\$318 85	\$341 63	\$45 55
6	\$312 60	\$338 65	\$364 70	\$390 75	\$52 10
200% FPL					
1	\$154 80	\$167 70	\$180 60	\$193 50	\$38 70
2	\$207 20	\$224 47	\$241 73	\$259 00	\$51 80
3	\$259 60	\$281 23	\$302 87	\$324 50	\$64 90
4	\$312 00	\$338 00	\$364 00	\$390 00	\$78 00
5	\$364 40	\$394 77	\$425 13	\$455 50	\$91 10
6	\$416 80	\$451 53	\$486 27	\$521 00	\$104 20
250% FPL					
1	\$193 50	\$209 63	\$225 75	\$241 88	\$64 50
2	\$259 00	\$280 58	\$302 17	\$323 75	\$86 33
3	\$324 50	\$351 54	\$378 58	\$405 62	\$108 17
4	\$390 00	\$422 50	\$455 00	\$487 50	\$130 00
5	\$455 50	\$493 46	\$531 42	\$569 38	\$151 83
6	\$521 00	\$564 42	\$607 83	\$651 25	\$173 67
300% FPL					
1	\$232 20	\$251 55	\$270 90	\$290 25	\$96 75
2	\$310 80	\$336 70	\$362 60	\$388 50	\$129 50
3	\$389 40	\$421 85	\$454 30	\$486 75	\$162 25
4	\$468 00	\$507 00	\$546 00	\$585 00	\$195 00
5	\$546 60	\$592 15	\$637 70	\$683 25	\$227 75
6	\$625 20	\$677 30	\$729 40	\$781 50	\$260 50