

TESTIMONY BY
THE HONORABLE JAMES D. BRUNER

PRESIDENT
COUNTY SUPERVISORS ASSOCIATION
CHAIRMAN, BOARD OF SUPERVISORS
MARICOPA COUNTY

BEFORE THE
JOINT AHCCCS AD HOC COMMITTEE

JANUARY 21, 1993

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TESTIMONY BY THE HONORABLE JAMES D. BRUNER, PRESIDENT, COUNTY SUPERVISORS ASSOCIATION OF ARIZONA, AND CHAIRMAN, BOARD OF SUPERVISORS, MARICOPA COUNTY, BEFORE THE JOINT AD HOC COMMITTEE ON AHCCCS, THURSDAY, JANUARY 21, 1993.

IT IS MY PLEASURE TO TESTIFY THIS EVENING IN MY CAPACITY AS CHAIRMAN OF THE MARICOPA COUNTY BOARD OF SUPERVISORS, AND AS PRESIDENT OF THE COUNTY SUPERVISORS ASSOCIATION. BOTH MARICOPA COUNTY AND THE COUNTY SUPERVISORS ASSOCIATION, REPRESENTING ALL OF ARIZONA'S FIFTEEN COUNTIES, ARE EXTREMELY CONCERNED WITH STATE BUDGET PROPOSALS IN THE AREA OF HEALTH CARE AND THEIR ENORMOUS POTENTIAL IMPACT ON ARIZONA COUNTIES. MY PRESENTATION WILL BE THE ONE AND ONLY COMPREHENSIVE PRESENTATION ON BEHALF OF ALL OF ARIZONA'S COUNTIES AT THIS HEARING.

IN HIS STATE-OF-THE-STATE MESSAGE, GOVERNOR SYMINGTON SAID:

"IN 1993, WE MUST CONTINUE TO SEND WASHINGTON SOME OTHER SIGNALS OF FIERCE WESTERN INDEPENDENCE. WE WILL CONTINUE TO PRESS OUR CASE THAT MANDATES FROM THE FEDERAL GOVERNMENT HAVE STRIPPED US OF OUR FISCAL SOVEREIGNTY. AND IN DOING SO THEY HAVE STRIPPED THE PEOPLE OF THEIR RIGHT TO REPRESENTATIVE GOVERNMENT AT THE STATE LEVEL, WHERE REPRESENTATIVE GOVERNMENT IS MOST IMPORTANT. WE WILL CHALLENGE THESE FEDERAL MANDATES UNDER THE TENTH AMENDMENT AND WE WILL DEFEND THE CONSTITUTIONAL RIGHT OF THIS STATE TO SELF-DETERMINATION."

MOST MEMBERS OF THE LEGISLATURE APPLAUDED THOSE WORDS. YET IN RECENT DAYS, THERE HAVE BEEN INDICATIONS THAT SOME MEMBERS OF THIS LEGISLATURE ARE POISED TO PASS THE LARGEST UNFUNDED MANDATE UPON COUNTIES IN ARIZONA HISTORY. TONIGHT, I ASK THAT YOU STOP AND EXAMINE MORE CAREFULLY THE CONSEQUENCES OF THAT PROSPECTIVE ACTION.

THERE ARE NOW TWO MAJOR PROPOSALS ON THE TABLE. ATTACHMENT 1 IS A CHART THAT SUMMARIZES THE IMPACT ON MARICOPA COUNTY OF THOSE TWO PROPOSALS. ATTACHMENT 2 SUMMARIZES THE IMPACT ON ALL 15 COUNTIES OF THE OVER \$44 MILLION IN JLBC - PROPOSED CONTRIBUTION INCREASES FOR ACUTE CARE AND LONG TERM CARE. I WOULD LIKE TO COMPLIMENT GOVERNOR SYMINGTON ON HIS STAND THAT SHIFTING COSTS TO LOCAL GOVERNMENT DOES NOT SOLVE PROBLEMS.

WHILE MANY OF YOU AND MANY OF US ARE CONCERNED ABOUT THE PROSPECT OF DISCONTINUING COVERAGE FOR THE MEDICALLY NEEDY/MEDICALLY INDIGENT POPULATION, HIS PROPOSAL DOES NOT SHIFT COSTS TO COUNTY GOVERNMENT AND RECOGNIZES THAT WHETHER THE EXPENSE RESTS WITH THE STATE OR THE COUNTY - THE SAME TAXPAYERS BEAR THE BURDEN.

UNFORTUNATELY, WE CANNOT FIND ANYTHING POSITIVE TO SAY ABOUT THE JLBC STAFF PROPOSAL. IN FACT, THE JLBC STAFF PROPOSAL MAY BE THE SINGLE MOST DAMAGING FISCAL PROPOSAL EVER INTRODUCED AS FAR AS

ARIZONA'S COUNTIES ARE CONCERNED. IN CONTRAST TO THE TRUTH IN BUDGETING PRINCIPLES ADHERED TO BY THE GOVERNOR IN ADDRESSING THE MAJOR ISSUES IN HEALTH CARE, THE JLBC PROPOSAL RESORTS TO THE OLDEST TRICK IN THE BOOK - SHIFTING COSTS TO THE LOWER LEVEL OF GOVERNMENT.

THIS APPROACH IS EXACTLY WHAT GOVERNOR SYMINGTON AND MANY MEMBERS OF THIS LEGISLATURE HAVE OPPOSED. THIS APPROACH DOES NOT SOLVE THE PROBLEM, IT ONLY PASSES THE PROBLEM ON TO THE COUNTIES.

PLEASE UNDERSTAND THIS SIMPLE FACT - NEITHER MARICOPA COUNTY NOR ANY OF ARIZONA'S COUNTIES HAVE THE ABILITY TO WITHSTAND THE COST-SHIFTING THAT IS PROPOSED IN THE JLBC STAFF PROPOSAL, AND WE VIGOROUSLY OPPOSE IT OR ANYTHING SIMILAR TO IT. PLEASE ALSO UNDERSTAND THAT THERE ARE SERIOUS CONSEQUENCES ASSOCIATED WITH SUCH COST-SHIFTING, AS WE WILL IDENTIFY TONIGHT AND IN THE DAYS AHEAD. AS I WILL OUTLINE FOR YOU TONIGHT, THIS IS NOT A MATTER OF SELFISH PROTECTION OF COUNTY RESOURCES. IT IS MATTER OF FINANCIAL SURVIVAL.

TONIGHT, I WOULD LIKE TO REVIEW WITH THIS AUDIENCE THE SCOPE OF THE COUNTY ROLE IN HEALTH CARE. THAT ROLE ENCOMPASSES MUCH MORE THAN JUST THE COUNTY CONTRIBUTION TO THE ACUTE CARE AND LONG TERM CARE PROGRAMS OF AHCCCS.

SECOND, I WOULD LIKE TO REVIEW WITH YOU THE COUNTY FINANCIAL STRUCTURE AND ITS CURRENT FINANCIAL CONDITION. AS I WILL OUTLINE FOR YOU, THAT CONDITION CURRENTLY IS MOST UNFAVORABLE, PARTICULARLY IN THE HEALTH CARE AREA.

THIRD, I WOULD LIKE TO DISCUSS AND REVIEW WITH YOU THE IMPACT OF THE TWO BUDGET PROPOSALS ON THE TABLE.

FINALLY, I WOULD LIKE TO RAISE SEVERAL ISSUES THAT I BELIEVE MERIT THE CONSIDERATION OF THIS GROUP IN CRAFTING A SOLUTION. LET ME ASSURE YOU THAT MARICOPA COUNTY, WHILE IT IS MOST STRONGLY OPPOSED TO THE JLBC PROPOSAL, IS COMMITTED TO PLAYING A CONSTRUCTIVE ROLE IN THESE DISCUSSIONS AND WISHES TO BE A PART OF THE SOLUTION, AS WE VIEW THE COUNTY TO HAVE A CONTINUING ROLE AS A REGIONAL LEADER IN THE AREA OF HEALTH CARE.

COUNTY ROLE IN HEALTH CARE

IN THE LATE 1970'S, COUNTIES WERE THE SOLE PUBLIC PROVIDERS OF CARE TO THE INDIGENT SICK IN ARIZONA. COUNTIES WERE EXPERIENCING SEVERE FINANCIAL DISTRESS, AND ARIZONA TAXPAYERS WERE NOT RECEIVING THEIR SHARE OF AVAILABLE FEDERAL DOLLARS.

FOR THESE REASONS, AND IN RESPONSE TO FEDERAL MANDATES, ARIZONA CREATED AHCCCS IN 1981 AS AN EXPERIMENTAL ALTERNATIVE SYSTEM TO MEDICAID.

COUNTIES PAY AN ANNUAL CONTRIBUTION ESTABLISHED BY THE LEGISLATURE TO THE ACUTE CARE PROGRAM OF AHCCCS, AND COUNTIES PAY 100 PERCENT OF THE NON-FEDERAL PORTION OF THE PROGRAM COST FOR THE LONG TERM CARE PROGRAM. SOME OF YOU MAY BE UNDER THE IMPRESSION THAT THIS IS WHERE THE COUNTY ROLE IN HEALTH CARE NOW BEGINS AND ENDS.

IN FACT, THE COUNTY ROLE IN HEALTH CARE IS MUCH BROADER THAN THAT. HEALTH CARE ACCOUNTS FOR 42 PERCENT OF MARICOPA COUNTY'S BUDGET AND OUR CONTRIBUTIONS TO THE ACUTE CARE AND LONG TERM CARE PROGRAMS OF AHCCCS ARE ONLY TWO COMPONENTS OF WHAT MARICOPA COUNTY EXPENDS ON HEALTH CARE OVERALL.

THESE EXPENDITURES ARISE FROM A VARIETY OF PROGRAMS AND AREAS OF LIABILITY. OF PARTICULAR NOTE IS THAT WE OPERATE WHAT IS BY FAR THE LARGER OF THE STATE'S ONLY TWO REMAINING COUNTY-OPERATED HOSPITALS.

ATTACHMENT 3 IS A CHART THAT DETAILS OUR ACTUAL EXPENDITURES IN THESE AREAS FOR THE LAST FISCAL YEAR AND PROJECTED EXPENDITURES FOR THE CURRENT FISCAL YEAR. AS YOU CAN SEE, THE HEALTH CARE

RESPONSIBILITIES OF THE COUNTY ARE QUITE BROAD AND INVOLVE A SUBSTANTIAL PORTION OF OUR COUNTY BUDGET.

AHCCCS DID NOT FULLY ASSUME RESPONSIBILITY FOR ALL POPULATION GROUPS AND TYPES OF SERVICES THAT THE COUNTY WAS SERVING PRIOR TO 1981. IN FACT, AS A PART OF THE AHCCCS LEGISLATION, COUNTIES WERE LEFT WITH A "MAINTENANCE OF EFFORT" STANDARD FOR PROVIDING HEALTH CARE TO INDIVIDUALS. UNDER THIS STANDARD, COUNTIES MUST CONTINUE TO PROVIDE, OR "MAINTAIN ITS EFFORT", WITH RESPECT TO BOTH THOSE POPULATION GROUPS, AND THE ARRAY OF COUNTY SERVICES, THAT EXISTED AT THE TIME AHCCCS WAS CREATED.

IN OTHER WORDS, IF AN INDIVIDUAL WAS ELIGIBLE FOR COUNTY HEALTH CARE COVERAGE OR A TYPE OF SERVICE WAS PROVIDED BY THE COUNTY UNDER THE LAWS, RULES AND REGULATIONS THAT EXISTED IN 1981, AND AHCCCS DOES NOT TODAY COVER THAT INDIVIDUAL OR PROVIDE THAT SERVICE, THEN THE COUNTY IS REQUIRED TO PAY THAT COST. THIS EXPENSE, WHICH CONSTITUTES OUR MAINTENANCE OF EFFORT OR RESIDUAL LIABILITY OBLIGATION, IS IN THE MANY MILLIONS OF DOLLARS EACH YEAR.

ATTACHMENT 4 CONTAINS A BRIEF EXPLANATION OF THE VARIOUS TYPES OF RESIDUAL LIABILITY AND SUMMARIES OF THE STATUTES GOVERNING SUCH LIABILITY. ATTACHMENT 5 SETS FORTH RESIDUAL LIABILITY AND ELIGIBILITY DETERMINATION COSTS FOR ALL 15 COUNTIES. OBVIOUSLY, OUR RESIDUAL

HEALTH CARE OBLIGATIONS REMAIN QUITE SIGNIFICANT OUTSIDE OF AHCCCS. PART OF THE JLBC PROPOSAL IS TO INCREASE THE COUNTY CONTRIBUTION TO THE ACUTE CARE PROGRAM TO RAISE THE LEVEL OF OUR FINANCIAL PARTICIPATION TO ONE THIRD OF TOTAL STATE-COUNTY COSTS, WHICH IS WHAT JLBC INDICATES IT WAS IN THE EARLY YEARS OF THE AHCCCS PROGRAM.

WE BELIEVE THIS ANALYSIS TO BE FLAWED FOR TWO REASONS. FIRST, THIS ANALYSIS DOES NOT TAKE INTO ACCOUNT THE FULL RANGE OF THE COUNTY'S COMMITMENT TO HEALTH CARE SPENDING - IT ONLY LOOKS IN ISOLATION AT THE ACUTE CARE CONTRIBUTION. ALTHOUGH LEGISLATIVE HISTORY IS FREQUENTLY LACKING, WE BELIEVE THAT THE INTENT OF THE LEGISLATURE WHEN AHCCCS WAS CREATED WAS TO FIX THE COUNTY CONTRIBUTION AT A SET AMOUNT IN EXCHANGE FOR THE COUNTY RETAINING RESIDUAL RESPONSIBILITY. THE JLBC PROPOSAL PROPOSES TO UNCAP THE COUNTY CONTRIBUTION AND TO SET IT AT A PERCENTAGE EACH YEAR WITHOUT RELIEVING THE COUNTIES OF RESIDUAL RESPONSIBILITY.

IF THE JLBC PROPOSAL IS TO BE SERIOUSLY CONSIDERED, THEN ELIMINATION OF RESIDUAL LIABILITY FOR COUNTIES DESERVES EQUALLY SERIOUS CONSIDERATION. THESE TWO ISSUES GO HAND IN HAND. RESIDUAL LIABILITY IS, IN FACT, THE FIRST MAJOR ISSUE WE WOULD IDENTIFY FOR THIS COMMITTEE TO CONSIDER IN ADDITION TO THE OSPB AND JLBC PROPOSALS.

THE SECOND REASON WHY THE JLBC ANALYSIS IS FLAWED IS THAT IT FAILS TO TAKE INTO ACCOUNT THE CAPACITY OF COUNTIES TO GENERATE REVENUE. AS I WILL OUTLINE FOR YOU IN A MOMENT, MOST COUNTIES HAVE NO ABILITY TO DO SO. THUS, THE STATE AND THE COUNTIES ARE NOT IN PARALLEL POSITIONS WHEN IT COMES TO ABSORBING COST INCREASES. IF THE STATE, WITH ITS GREATER FLEXIBILITY TO ABSORB COSTS, HAS CONCLUDED IT CANNOT AFFORD ANY MORE MONEY FOR AHCCCS - IT SHOULD NOT SEEK TO PAY FOR INCREASES WITH REVENUE FROM COUNTIES WHICH HAVE ESSENTIALLY NO FLEXIBILITY AS FAR AS REVENUE IS CONCERNED. WHATEVER IT IS THAT THE STATE CANNOT AFFORD - THE COUNTIES CANNOT AFFORD EITHER.

COUNTY FINANCIAL STRUCTURE AND CONDITION

NOW, I WOULD LIKE TO SAY A FEW WORDS ABOUT MARICOPA COUNTY'S FINANCIAL STRUCTURE AND CONDITION. MARICOPA COUNTY GOVERNMENT IS FINANCED PRIMARILY BY PROPERTY TAXES, SALES TAXES, FEES AND CHARGES, AND OTHER NON-TAX SOURCES OF REVENUE SUCH AS GRANTS. THE TWO MAJOR VARIABLES IN THIS MIX ARE PROPERTY TAXES AND SALES TAXES. THE FINANCIAL STRUCTURE OF ALL 15 COUNTIES IS ESSENTIALLY THE SAME.

ATTACHED AS ATTACHMENT 6 ARE TWO CHARTS OUTLINING THE CATEGORIES OF REVENUES AND EXPENDITURES FOR MARICOPA COUNTY FOR THE CURRENT FISCAL YEAR. MARICOPA COUNTY'S ONLY SOURCE OF SALES TAX REVENUE IS ITS PORTION OF THE SALES TAX REVENUE SHARED BY THE STATE OF ARIZONA WITH COUNTIES. MARICOPA COUNTY DOES NOT HAVE ANY AUTHORITY FOR A

COUNTYWIDE SALES TAX. WHILE OTHER COUNTIES DO HAVE THIS AUTHORITY, THE MOOD OF THE ELECTORATE IS CLEARLY IN OPPOSITION TO TAX INCREASES OF THIS NATURE.

IN THE AREA OF PROPERTY TAXES, COUNTIES ARE GOVERNED BY THE 1980 VOTER APPROVED CONSTITUTIONAL LEVY AND EXPENDITURE LIMITS. OUR TOTAL LEVY FOR PROPERTY TAX PURPOSES MAY NOT INCREASE IN ANY GIVEN YEAR BY MORE THAN THE SUM OF 2 PERCENT OF THE PRIOR YEAR'S LEVY PLUS NEW CONSTRUCTION. MARICOPA COUNTY DOES NOT OBJECT TO OR OPPOSE THIS LEVY LIMITATION, BUT WE MUST POINT OUT TO YOU THAT THE EXISTENCE OF THE LEVY LIMITATION PREVENTS MARICOPA COUNTY FROM RAISING THE PROPERTY TAX LEVY IN ORDER TO RAISE REVENUE TO PAY FOR PROGRAMS.

THIS IS ALSO TRUE FOR MOST OF THE OTHER COUNTIES. ATTACHMENT 7 OUTLINES THE CURRENT TAX RATES AND RATE LIMITS FOR ALL 15 COUNTIES. IT ALSO IDENTIFIES WHAT THE JLBC PROPOSAL WOULD MEAN IN TERMS OF TAX RATE INCREASES IF IT WERE POSSIBLE FOR COUNTIES TO PASS THEIR INCREASES ON TO PROPERTY TAX PAYERS.

HOWEVER, MARICOPA COUNTY AND MOST OF THE OTHER COUNTIES DO NOT HAVE THE ABILITY TO INCREASE PROPERTY TAXES OR SALES TAXES, OR ANY OTHER TAXES, TO RAISE REVENUE TO PAY FOR ADDITIONAL COSTS PASSED ON BY THE LEGISLATURE IN THE AREA OF AHCCCS, OR ANY OTHER AREA. WE CERTAINLY HAVE NO WAY OF RAISING THE REVENUE TO ABSORB THE TYPES OF

INCREASES THAT ARE PROPOSED BY JLBC. EVEN IF JLBC'S REVENUE ESTIMATES ARE CORRECT, OUR SHARE OF THE ADDITIONAL SHARED SALES TAX REVENUE WHICH MARICOPA COUNTY WOULD RECEIVE NEXT YEAR WOULD PAY FOR LESS THAN HALF OF THE COST SHIFTS THAT ARE PROPOSED UNDER THE JLBC PROPOSAL.

MANDATING THAT ALL NEW REVENUES PAY FOR HEALTH CARE ALSO LEAVES US WITH ABSOLUTELY NO NEW REVENUE TO DEAL WITH OTHER PROGRAMS WHERE WE ARE EXPERIENCING INCREASES DUE TO INFLATION IN COSTS, GROWTH IN SERVICE DEMANDS, OR BOTH. OUR JAILS WOULD BE AN EXAMPLE OF SUCH AN AREA. OUR JAIL EXPENSE IN 1983 WAS EQUAL TO \$17.8 MILLION - THAT AMOUNT HAS MUSHROOMED 267% TO THE CURRENT YEAR LEVEL OF \$47.5 MILLION. NEW REVENUES ARE NEEDED TO COPE IN MANY CRITICAL AREAS OF COUNTY RESPONSIBILITY BESIDES HEALTH CARE.

ON THE EXPENDITURE SIDE, OUR CURRENT FINANCIAL SITUATION IS MOST UNFAVORABLE. MARICOPA COUNTY HEALTH CARE CARRIED INTO THE CURRENT FISCAL YEAR A NEGATIVE BALANCE OF APPROXIMATELY \$15 MILLION DOLLARS. THIS NEGATIVE BALANCE RESULTED PRIMARILY FROM THE EVER GROWING AMOUNT OF UNCOMPENSATED CARE PROVIDED BY THE COUNTY HOSPITAL AND AMBULATORY CARE CLINICS.

YESTERDAY MORNING, THE BOARD OF SUPERVISORS RECEIVED A REPORT FROM A MANAGEMENT COUNCIL THAT HAS BEEN APPOINTED TO OVERSEE VARIOUS ACTIVITIES IN THE HEALTH CARE AREA WHERE COSTS ARE SIGNIFICANTLY EXCEEDING BUDGETED AMOUNTS. THE REPORT WE RECEIVED FROM THE MANAGEMENT COUNCIL INDICATES THAT MARICOPA COUNTY HEALTH CARE CAN EXPECT TO END THE YEAR WITH A NEGATIVE BALANCE OF APPROXIMATELY \$30 MILLION DOLLARS.

IMPACT OF JLBC PROPOSAL

AS WE LOOK AT THE JLBC PROPOSAL, OUR EXISTING \$30 MILLION PROBLEM WOULD BE INCREASED BY AT LEAST \$31 MILLION DOLLARS IN NEW STATE MANDATED COSTS, INCLUDING A \$20 MILLION DOLLAR INCREASE IN THE COUNTY ACUTE CARE CONTRIBUTION, AN OVER \$5 MILLION DOLLAR INCREASE IN THE COUNTY LONG TERM CARE CONTRIBUTION, AND A \$6 MILLION DOLLAR INCREASE IN UNCOMPENSATED CARE PROVIDED BY MARICOPA MEDICAL CENTER AND COUNTY CLINICS FOR UNCOMPENSATED CARE THAT WOULD ARISE FROM THE FACT THAT UNDOCUMENTED ALIENS WOULD NO LONGER BE COVERED FOR OTHER THAN EMERGENCY SERVICES, AND CUTS IN SOBRA COVERAGE FOR PREGNANT WOMEN AND CHILDREN.

TO SUMMARIZE, TAKING OUR EXISTING PROBLEM AND ADDING TO IT THE JLBC PROPOSAL LEAVES US WITH A \$60 MILLION DOLLAR PROBLEM IN THE HEALTH CARE AREA THAT WE HAVE ABSOLUTELY NO REVENUE TO COVER. THIS

SITUATION WILL HAVE DEVASTATING CONSEQUENCES FOR MARICOPA COUNTY GOVERNMENT AND CITIZENS. THESE DEVESTATING CONSEQUENCES WILL BE RELFECTED ACROSS THE ENTIRE SPECTRUM OF COUNTY SERVICES, INCLUDING COURTS, LAW ENFORCEMENT, JAILS, ELECTIONS, SOCIAL SERVICES, ASSESSOR, RECORDER, PUBLIC DEFENDER, MEDICAL EXAMINER, PARKS AND RECREATION AND MANY OTHER AREAS. ALL ARIZONA COUNTIES WILL SUFFER SIMILAR CONSEQUENCES.

WE HAVE NO ALTERNATIVE BUT TO OPPOSE THE JLBC STAFF PROPOSAL. THIS PROPOSAL DOES NOT ADDRESS THE PROBLEM - IT ONLY SHIFTS THE PROBLEM TO OTHER LEVELS OF GOVERNMENT AND WILL CREATE SEVERE PROBLEMS FOR LOCAL CITIZENS ON MANY OTHER ISSUES.

ISSUES TO BE ADDRESSED

THEREFORE, WE URGE THAT THIS AD-HOC GROUP SEEK REAL SOLUTIONS TO THE PROBLEM AND AVOID THE TEMPTATION TO SOLVE IT AT THE EXPENSE OF LOCAL TAXPAYERS BY SHIFTING COSTS TO COUNTY GOVERNMENT. GIVEN THE PRESENT ADVERSE FINANCIAL CONDITION OF THE COUNTIES, THE IMPACT OF THESE SOLUTIONS SHOULD BE NO WORSE THAN REVENUE NEUTRAL TO THE COUNTIES. AMONG THE ISSUES WE BELIEVE YOU SHOULD ADDRESS IN THIS REGARD IS THE ELIMINATION OF COUNTY RESIDUAL RESPONSIBILITY.

TO THE EXTENT THAT THE STATE HAS CONCLUDED THAT INDIGENT HEALTH CARE CAN BE PROVIDED ONLY TO CERTAIN POPULATION GROUPS, AND THAT ONLY CERTAIN SERVICES CAN BE PROVIDED, IT MAKES NO SENSE TO HAVE A SEPARATE DEFINITION OF INDIGENCY OR SEPARATE MANDATED ARRAY OF SERVICES IN EACH COUNTY BASED ON CIRCUMSTANCES THAT EXISTED TWELVE OR MORE YEARS AGO. IT IS TIME TO HAVE A STATEWIDE UNIFORM STANDARD FOR INDIGENCY AND SERVICES AND TO ELIMINATE COSTLY RESIDUAL RESPONSIBILITY THAT OUR TAXPAYERS SIMPLY CAN NO LONGER AFFORD.

I SHARE THE CONCERN OF MANY OF YOU ABOUT DISCONTINUING COVERAGE FOR THE MN/MI POPULATION. AS AN ALTERNATIVE TO EITHER DROPPING THAT POPULATION AS CALLED FOR IN THE EXECUTIVE PROPOSAL OR KEEPING THAT POPULATION AS CALLED FOR IN THE JLBC PROPOSAL, THIS AD-HOC GROUP SHOULD LOOK AT THE MIDDLE GROUND IN WHICH PERHAPS SOME OF THE RULES AND STANDARDS OF THE EXISTING MN/MI PROGRAM COULD BE MODIFIED TO REDUCE COSTS WHILE PROVIDING CARE TO THOSE WHO MOST DESPERATELY NEED IT. AMONG THE ASPECTS THAT MAY REQUIRE EXPLORATION ARE:

- THE LENGTH OF THE PERIOD OF ELIGIBILITY.
- AUTOMATIC COVERAGE OF ALL FAMILY MEMBERS.
- ASSET STANDARDS FOR ELIGIBILITY.
- CO-PAYMENTS AND DEDUCTIBLES.
- THE ARRAY OF SERVICES - SO LONG AS ANY LIMITATIONS ON SERVICES ARE MİRRORED IN THE COUNTY'S MAINTENANCE OF EFFORT.

FINALLY, THE CURRENT SYSTEM FOR ELIGIBILITY DETERMINATION NEEDS TO BE ASSESSED. MARICOPA COUNTY AND ALL 15 COUNTIES ARE PREPARED TO ADDRESS ALTERNATIVES TO THE CURRENT ELIGIBILITY DETERMINATION SYSTEM.

THANK YOU FOR HEARING MY TESTIMONY ON BEHALF OF ARIZONA'S 15 COUNTIES. AS CHAIRMAN OF THE MARICOPA COUNTY BOARD OF SUPERVISORS AND PRESIDENT OF THE COUNTY SUPERVISORS ASSOCIATION, I ASSURE YOU WE WILL FULLY PARTICIPATE IN THESE DISCUSSIONS WITH ALL INTERESTED PARTIES TO SEEK RESOLUTION. THAT RESOLUTION, HOWEVER, MUST BE SENSITIVE TO THE CONSIDERABLE RESOURCE LIMITATIONS OF THE COUNTIES. I WILL BE HAPPY TO RESPOND TO YOUR QUESTIONS.



MARICOPA COUNTY - FY 1993-94 FINANCIAL IMPACT OF OSPB AND JLBC BUDGET PROPOSALS

Joint Legislative Budget Committee Proposal

- Funding only Emergency Service for 18,000 undocumented aliens, eliminating MN/MI coverage for this population.

Estimated impact: < \$ 4.4 million >

Note: Impact estimate based on Maricopa County's share of the JLBC estimate. (Maricopa County will determine concurrence with this estimate when the assumptions made by JLBC in developing their estimate are known.) Future year impact significantly higher (\$10.2 million in FY 94-95), with multi-year increase undetermined. Uncompensated care provided by Maricopa Medical Center may increase if private hospitals refuse or transfer patients for whom they are no longer compensated.

- "Roll back" SOBRA coverage for pregnant women and infants from 140% to 133% of Federal Poverty Level.

Estimated impact: < \$ 1.3 million >

Note: Based on JLBC estimate. Actual negative impact may be higher as Maricopa County does not currently enroll all potentially eligible women. Indirect costs related to expensive high-risk pregnancies/complicated deliveries are not included in the estimate.

- Increase County Acute Care Contribution.

Estimated impact: < \$ 20 million >

Note: Estimated impact based on JLBC and CSA analysis.

- Increase County Long Term Care Contribution.

Estimated impact: < \$ 5.5 million >

Note: Estimated impact based on JLBC and CSA analysis.

Net Impact All JLBC Proposals: < \$ 31.2 million >

Office of Strategic Planning and Budgeting Proposal

- Elimination of full MN/MI coverage for 35,000 recipients.

Estimated impact: < \$ 22.6 million >

Note: Impact based on increased uncompensated care provided by MMC to acutely ill/injured persons and loss of administrative revenue percentage for Maricopa Health Plan. This impact is expected to increase significantly if private hospitals refuse or transfer patients for whom they are no longer compensated.

- Extension of SOBRA to 69,000 pregnant women and children up to 185% of Federal Poverty Level.

Estimated impact: \$ 3.5 million

Note: This is the estimated net benefit from increase in revenue. Impact is based on additional coverage of only 2% of the population currently being served, of which up to 50% would be ineligible based on inability to meet citizenship requirement of SOBRA. (based on Ambulatory Care Prenatal Pilot Study data)

- Elimination of County Residuality.

Estimated impact: \$ 11 million

Note: This is the amount currently spent on payments to outside hospitals for indigent care. This estimate differs from the Maricopa County data included in the table developed by CSA for FY 1992 due to large settlements and write-offs made to expedite resolution of the Perez lawsuit and resulting backlog of claims during that year. It does not include the estimated "tail" for remaining claims (\$2.5 million) or chronic conditions (\$2.3 million).

- Elimination of MN/MI determination.

Estimated impact: \$ 7.6 million

Note: This impact is based upon the net cost of all eligibility functions currently performed by the County. The estimate assumes some eligibility functions will be retained by the County based on the OSPB statement that "Hospitals and other providers will probably invest more time making sure persons whose expenses are potentially reimbursable under Title XIX fill out applications with DES." It also assumes these funds will remain with the County as a partial offset to increased costs resulting from the implementation of other proposal components.

- Increase County Long Term Care contribution.

Estimated impact: < \$ 5 million >

Net Impact All OSPB Proposals: < \$ 5.5 million >

This analysis is intended as an *estimate* only since a significant additional increase in uncompensated care provided by both Maricopa Medical Center and the Ambulatory Care Primary Care Centers could occur as a result of the elimination of the MN/MI program. In addition, as noted in the JLBC analysis, the multi-year impacts are estimated to increase for many of the proposed changes.



Long Term Care Payments (ALTCS)

	A	B	C	D
County	County Percent Of Total	ALTCS Payment FY 92-93	ALTCS Increase FY 93/94	ALTCS Payment FY 93-94 (JLBC)
Apache	0.22%	\$203,064	\$21,323	\$224,387
Cochise	2.53%	\$2,335,924	\$245,291	\$2,581,215
Coconino	0.66%	\$609,117	\$63,962	\$673,079
Gila	2.53%	\$2,330,914	\$244,765	\$2,575,679
Graham	0.64%	\$590,654	\$62,023	\$652,677
Greenlee	0.34%	\$313,789	\$32,950	\$346,739
La Paz	0.34%	\$313,789	\$32,950	\$346,739
Maricopa	56.55%	\$52,190,057	\$5,480,381	\$57,670,438
Mohave	2.73%	\$2,519,514	\$264,570	\$2,784,084
Navajo	0.91%	\$839,842	\$88,190	\$928,032
Pima	20.55%	\$18,965,618	\$1,991,544	\$20,957,162
Pinal	5.09%	\$4,697,564	\$493,282	\$5,190,846
Santa Cruz	1.05%	\$969,151	\$101,769	\$1,070,920
Yavapai	3.12%	\$2,879,453	\$302,366	\$3,181,819
Yuma	2.75%	\$2,539,151	\$266,632	\$2,805,783
Totals:	100.00%	\$92,297,600	\$9,692,000	\$101,989,600
	Percent Increase	5.43%		10.50%
			OSP Increase--	\$101,242,559

Acute Care AHCCCS Payments

	A	B	C	D	E	F
County	AHCCCS FY 89/90	Percent Of Total	AHCCCS ¹ FY 92/93	Percent Of Total FY 92/93	AHCCCS Increase FY 93/94 (JLBC Only)	AHCCCS Payment FY 93/94
Apache	\$262,488	0.45%	\$262,257	0.403%	\$139,438	\$401,695
Cochise	\$2,169,587	3.70%	\$2,161,177	3.321%	\$1,149,066	\$3,310,243
Coconino	\$725,384	1.24%	\$724,948	1.114%	\$385,444	\$1,110,392
Gila	\$1,379,280	2.35%	\$1,378,963	2.119%	\$733,174	\$2,112,137
Graham	\$523,038	0.89%	\$523,212	0.804%	\$278,184	\$801,396
Greenlee	\$186,108	0.32%	\$186,118	0.286%	\$98,956	\$285,074
La Paz	\$211,447	0.36%	\$206,942	0.318%	\$110,028	\$316,970
Maricopa	\$33,144,215	56.46%	\$37,723,963	57.969%	\$20,057,274	\$57,781,237
Mohave	\$1,218,011	2.07%	\$1,207,812	1.856%	\$642,176	\$1,849,988
Navajo	\$302,964	0.52%	\$303,255	0.466%	\$181,236	\$484,491
Pima	\$12,748,275	21.72%	\$14,590,061	22.420%	\$7,757,320	\$22,347,381
Pinal	\$2,670,357	4.55%	\$2,649,899	4.072%	\$1,408,912	\$4,058,811
Santa Cruz	\$472,179	0.80%	\$471,151	0.724%	\$250,504	\$721,655
Yavapai	\$1,393,263	2.37%	\$1,393,279	2.141%	\$740,786	\$2,134,065
Yuma	\$1,300,631	2.22%	\$1,293,062	1.987%	\$687,502	\$1,980,564
Totals:	\$58,707,227	100.00%	\$65,076,099	100.000%	\$34,600,000	\$99,676,099
					Percent Increase--	53.17%

¹In 1991, the Legislature increased Pima and Maricopa counties' AHCCCS contribution by \$6.6 million while keeping other counties' amount constant. The JLBC proposed increase of \$34.6 million is distributed to all counties according to the revised percentages and would accentuate Pima and Maricopa's proportional contributions in the future.



**MARICOPA COUNTY
HEALTH CARE COSTS
FY1991-92 AND 1992/93**

	FY91/92 Actual Costs	FY92/93 Projected Costs
COUNTY CONTRIBUTION TO AHCCCS ACUTE CARE	*\$37,733,080	\$37,733,080
<p>Acute Care includes AFDC, SSI, MAO, and MN/MI. There is no federal reimbursement for MN/MI.</p>		
COUNTY CONTRIBUTION TO ALTCS LONG TERM CARE	\$49,505,623	\$52,350,000
<p>Includes elderly and physically disabled. Counties pay 100% of non-federal share.</p>		
LONG TERM CARE RESIDUAL	\$ 5,000,000	\$ 4,300,000
<p>Costs associated with County Maintenance of Effort statutes. Counties cannot reduce medical benefits and categories of services for persons who meet county indigent standards which were in place as of January 1, 1981.</p>		

*Includes \$4.8 million increase over FY90/91 enacted by the Legislature.

**FY91/92
Actual Costs**

**FY92/93
Projected Costs**

HOSPITAL

Maricopa County Medical Center is a \$172.4 million hospital with 106 departments, 194 attending physicians, and 311 visiting physicians.

REVENUE	\$120,800,000	\$124,600,000
EXPENSE	\$161,400,000	\$162,200,000
NET COUNTY COST	(\$ 40,600,000)	(\$ 37,600,000)

AMBULATORY CARE

Ambulatory care consists primary care centers providing direct primary health-care services as well as dental, counseling, education, pharmacy and laboratory services to eligible clients; county homeless alternative psychiatric services; day treatment for seriously mentally ill; corrections health care, and LARC.

REVENUE	\$22,500,000	\$17,200,000
EXPENSE	\$34,500,000	\$30,100,000
NET COUNTY COST	(\$12,000,000)	(\$12,900,000)

OUTSIDE HOSPITALS

	\$11,100,000	\$11,000,000
--	--------------	--------------

Amount paid to various area hospitals for residual populations including amounts resulting from the 48-hour rule.

**FY91/92
Actual Costs**

**FY92/93
Projected Costs**

ELIGIBILITY

\$ 8,300,000

\$ 8,600,000

Eligibility determinations for AHCCCS and other medical assistance programs are available in various offices throughout the county, including the Maricopa Medical Center and some other primary care centers.

PUBLIC HEALTH

\$ 6,400,000

\$ 6,300,000

Consists of community health, disease control, epidemiology, vital statistics, rabies/animal control, environmental health.



**STATE MANDATED RESIDUAL RESPONSIBILITIES
MARICOPA COUNTY -- FISCAL YEAR 91/92**

A. Eligibility Determination

The County presently provides administration and eligibility workers for determining patient eligibility for MN/MI applicants and pre-screening of applicants for Federal categoricals.

\$7,191,284.00

B. Medical Pre-AHCCCS Cost

The County remains responsible for paying medical costs for indigents until 48 hours prior to the time the County can notify AHCCCS of eligibility. Example: An MN/MI eligible patient arrives at a hospital on a Friday night and is processed for eligibility. Final determination of eligibility can not be made until Wednesday. The County is liable for services provided on Friday, Saturday and Sunday.

\$14,272,233.00

C. County Medical Residual Services

The County remains responsible for providing additional services which are not covered by AHCCCS. Example: Patients in Federal categories do not receive dental care, the County must provide it.

\$1,040,727.00

D. County Law Suits

The County is required to pay for the cost of care for individuals whose income levels met indigency standards of the County in 1981. Also if an applicant for AHCCCS fails to provide sufficient information to establish eligibility but is later determined to be indigent, the County is liable for the cost of all services.

\$3,180,485.00



OFFICE OF THE
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September 10, 1992

TO: Pat Franck, Director, Medical Assistance Department
FROM: Suzanne Hodges, Deputy County Attorney *SH*
SUBJECT: "County Residual Liability" for Indigent Health Care

To assist you and the other members of the County/State Task Force in developing a definition of "County Residual Liability", I submit the following discussion of the statutes involved:

§11-251(5):

Grants the counties the power to provide for the care and maintenance of the indigent sick of the county and to maintain hospitals therefor. This is the "grand daddy" enabling statute and the basis of the counties' residual indigent health care liability in its broadest sense.

§11-291:

§11-291(A) makes the counties responsible for providing hospitalization and medical care (excluding long term care but including home health services as defined in §36-151) to indigent persons, including those under the supervision of the county corrections agency, to the extent that the care is not the responsibility of AHCCCS.

Under §11-291(B), AHCCCS does not become responsible for providing care to an indigent until such time as a county has made a final eligibility determination and provided notice to AHCCCS of the person's eligibility. Counties are residually liable for the costs of services provided to a person who is "in fact eligible" up to the point at which the county gives proper notification of the person's eligibility to AHCCCS. For non-emergency care the counties' liability is limited to those persons who actually complete the AHCCCS application process, but the counties are responsible for

emergency services, subject to the hospital notification requirements of §11-297.01(C), regardless of whether an application is completed.

§11-291(G) makes counties responsible for the cost of emergency transportation of persons whose medical care is a county responsibility.

§11-291.01

By the terms of this statute, a county may not reduce the eligibility standards, benefit levels and categories of service for the hospitalization and medical care of the indigent sick in effect in the county on January 1, 1981. These requirements create four areas of county residual liability:

- (1) The cost of care provided to persons whose income and resources meet the higher levels that were in effect in a number of counties in January 1981 but fail to reach the current AHCCCS levels.
- (2) The cost of emergency care provided to persons during the period between spend down to the 1981 county level and spend down to the current AHCCCS level. This liability is extended by §11-291(E) and §11-297(E) to include the cost of services provided between spend down to the 1981 county level and notification to AHCCCS of the person's AHCCCS eligibility.
- (3) The cost of care provided to persons who would have qualified under the more lenient eligibility rules in effect in counties in 1981, i.e. Pima County disregarded the equity a person over sixty had in his or her home when determining resources.
- (4) The cost of services not covered by AHCCCS but provided by the counties in 1981, i.e. dental, eyeglasses, non-prescription medications and mental health services.

§11-297

§11-297(E) makes a county residually liable to AHCCCS providers and non-providers as well as to applicants if the county fails to complete an AHCCCS application within the time frame prescribed by AHCCCS rule. The county becomes liable for the cost of potentially AHCCCS covered services from the latest date that the person should have been determined eligible until the date that the county notifies AHCCCS of the person's eligibility.

§11-297.01

In general, this statute makes counties liable for the costs of emergency medical treatment provided by private hospitals to persons who are "in fact eligible" for care subject to notification by the hospital to the county. This statute reinforces the residual liability created under §11-291 and §11-291.01.

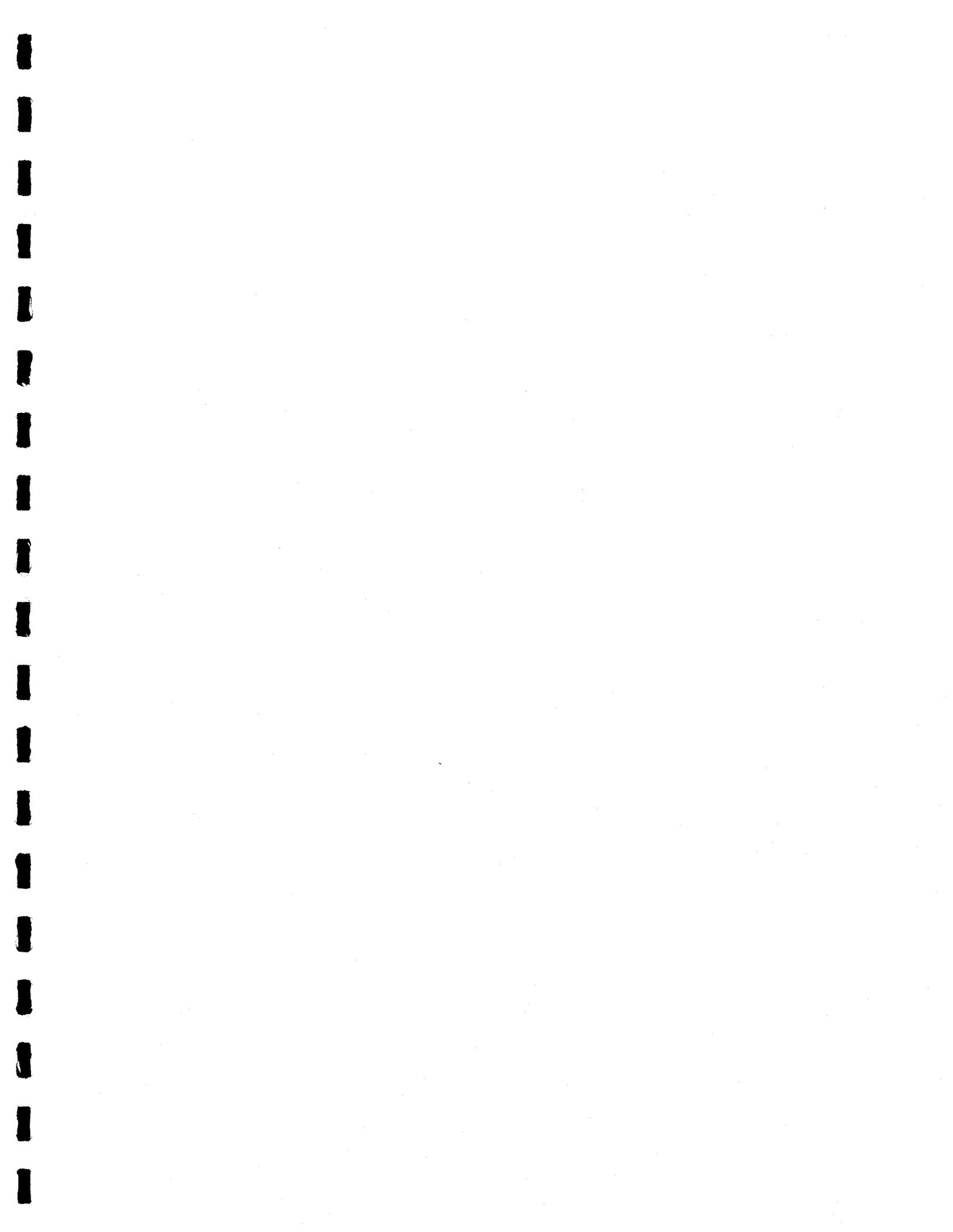
§11-297.01(C) extends a county's residual liability to a private hospital to a point prior to that hospital's notifying the county of a potential indigent's emergency hospitalization if the patient submitted evidence of insurance which was later determined to be invalid for the purpose for which the patient was admitted.

§36-2905.01 and § 36-2905.02

These statutes create indirect residual liability for the counties in that they provide for sanctions by the AHCCCS Administration and reimbursement by the counties to AHCCCS for the cost of medical services provided by AHCCCS to persons erroneously determined eligible for AHCCCS by the counties.

In conclusion, the counties currently have a broad and multi-faceted residual liability for indigent health care which provides a "safety net" and satisfies federal maintenance of effort requirements. That residual liability includes responsibility for the costs of emergency care provided to a person from the point he or she meets the 1981 county eligibility standards up to the point that the county notifies AHCCCS of the person's AHCCCS eligibility regardless of whether the person ever completes the application process. It covers non-emergency services for these same people if they complete the application process. It includes AHCCCS non-covered services that were provided by the counties in January 1981, emergency transportation for persons who qualify for county care, home health care services and medical care provided to indigent county prisoners. It includes liability to an applicant for eligibility if he or she incurs expenses at a point after which the county should have made an eligibility determination, and liability to AHCCCS for reimbursement of expenses incurred for erroneous eligibility determinations.

cc: Martin Willett
Michael Callahan



COUNTY MEDICAL ASSISTANCE BUDGETS, FY 91-92
 CSA SURVEY 10/16/92, ELIGIBILITY DETERMINATION AND MEDICAL LIABILITY COSTS BY COUNTY

FISCAL YEAR 1991-1992

COUNTY:	A. MED. ASSISTANCE PERSONNEL ON 10/01/92	B. COUNTY ELIG. DETERM. NET COST	C. MEDICAL* PREAHCCCS COST	D. COUNTY MEDICAL RESIDUAL SERVICES	E. COUNTY LAWSUITS \$ PAID IN FY 91-92	F. TOTAL (B..E) ADM COST PLUS MED. LIABILITY FY 91-92
APACHE	4	\$133,795	NR	NR	NR	\$133,795
COCHISE	20	371,478	\$5,939	\$27,400	\$9,000	413,817
COCONINO	14	295,942	62,258	38,938	0	397,138
GILA	6	221,474	152,049	67,444	65,678	506,645
GRAHAM	3.5	90,294	15,905	0	0	106,199
GREENLEE	3	78,749	NR	0	0	78,749
LA PAZ	4	103,324	NR		150,000	253,324
MARICOPA	288	7,191,284	14,272,233	2,040,727	3,180,485	26,684,729
MOHAVE	25	372,714	632,015	48,836	15,000	1,068,565
NAVAJO	20	607,333	88,535	NR	0	695,868
PIMA	144	2,989,426	793,295	2,268,324	120,500	6,171,545
PINAL	35	404,378	1,670,208	34,083	230,710	2,339,378
SANTA CRUZ	7	145,175	43,948		0	189,123
YAVAPAI	16	373,850	60,981	37,907	41,299	514,037
YUMA	17	381,870	507,617	23,759	158,806	1,072,052
TOTAL	606.5	\$13,761,086	\$18,304,984	\$4,587,417	\$3,971,478	\$40,624,965

*NOTE: MEDICAL LIABILITY COSTS REPORTED IN THIS TABLE DO NOT INCLUDE COSTS FOR MENTAL HEALTH, INCLUDING INVOLUNTARY COMMITMENTS, LONG TERM CARE RESIDUAL, PUBLIC HEALTH, OR JAIL HEALTH. ALSO THE EXPENDITURES REPORTED FOR MARICOPA UNDER COLUMNS C AND E ARE UNUSUALLY HIGH IN FY 92 DUE TO PEREZ LAWSUIT SETTLEMENT.

A. PERSONNEL INCLUDES ELIGIBILITY WORKERS, SUPERVISORS, QUALITY ASSURANCE, AND SUPPORT PERSONNEL ON THE DATE INDICATED.

B. COUNTY ADMINISTRATIVE COSTS FOR THE FISCAL YEAR ARE NET OF FEDERAL REIMBURSEMENTS FOR THE SAMETIME PERIOD.

C. MEDICAL PRE-AHCCCS COSTS INDICATE COUNTY MEDICAL RESIDUAL LIABILITY ASSOCIATED WITH CONDUCTING AHCCCS ELIGIBILITY, NOT INCLUDING LAWSUITS PAID IN FY 1991-1992. AMOUNTS PAID ON LAWSUITS ARE INDICATED IN COLUMN "E".

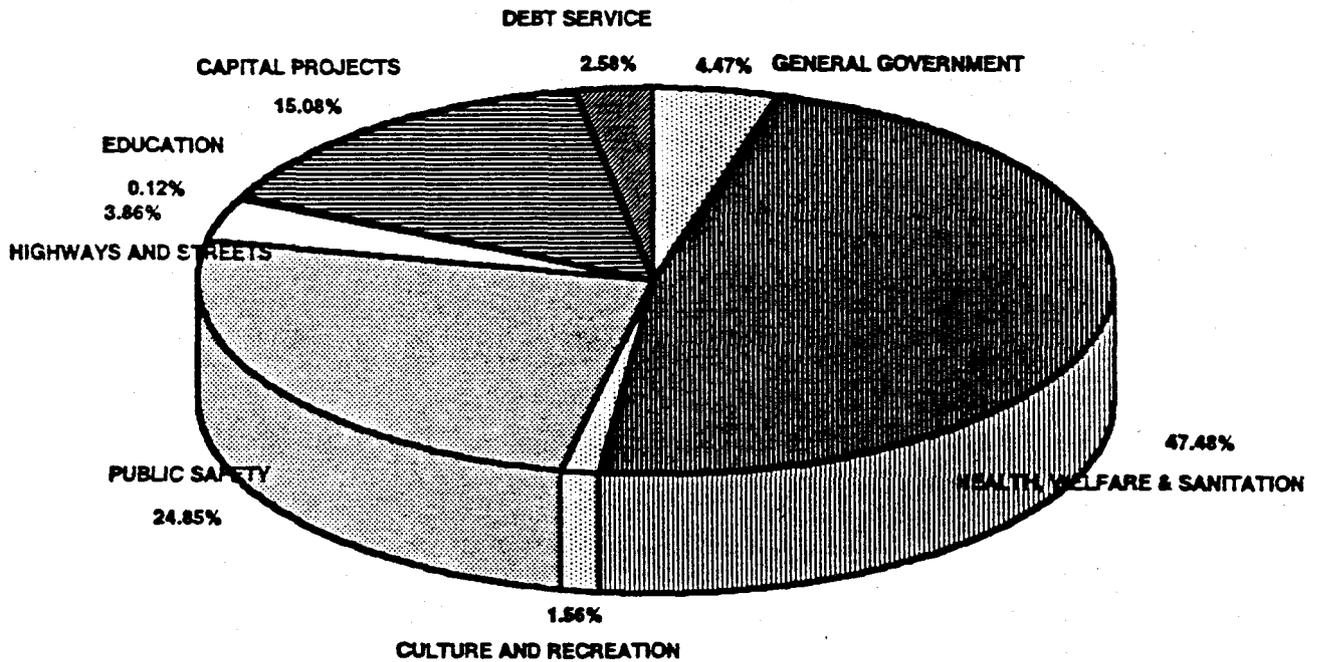
D. COUNTY MEDICAL RESIDUAL MEANS ONLY A COUNTY'S MAINTENANCE OF EFFORT FOR SERVICES PROVIDED TO PERSONS WHO MET A HIGHER COUNTY INCOME STANDARD AND DID NOT QUALIFY FOR AHCCCS OR QUALIFIED FOR COUNTY RESIDUAL SERVICES.



1992-93 ADOPTED BUDGET

The 1992-93 Budget of \$1.225 billion was adopted by the Maricopa County Board of Supervisors on July 20, 1992. Of this total budget, approximately \$967 million, or 79%, is the operating budget. The Capital Improvement budget (CIP) totals \$175 million, or 14%. Debt Service amounts to \$30 million (3%), and contingency and reserve accounts represent the remaining \$52 million (4%).

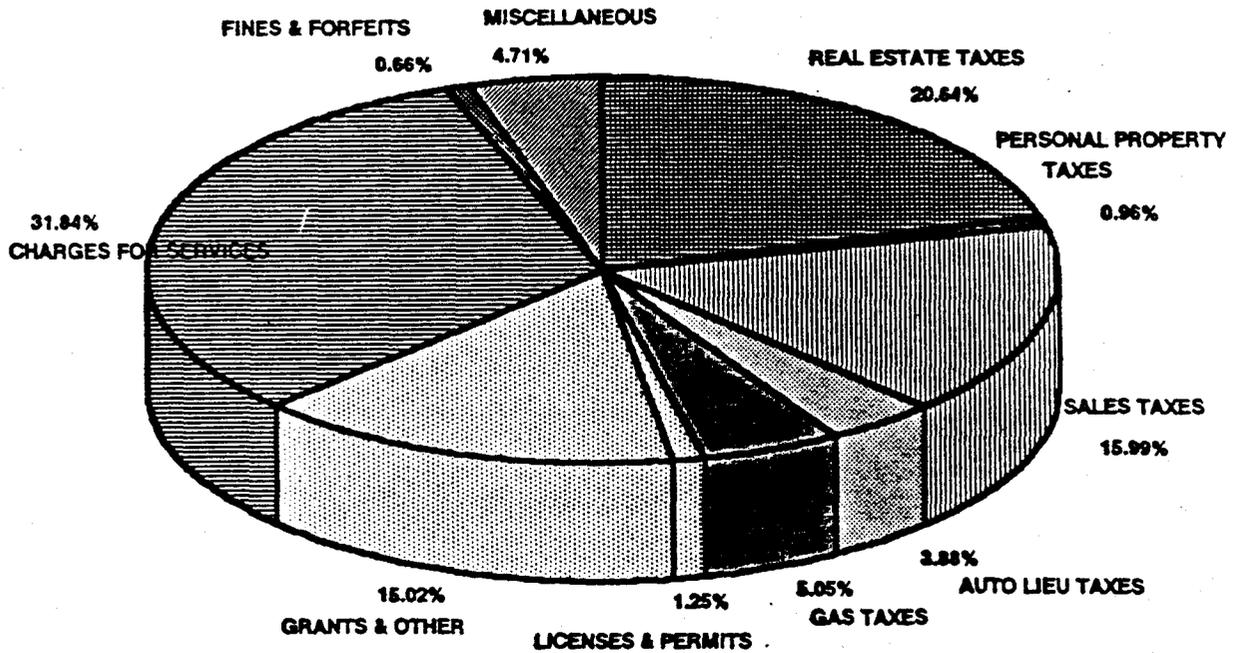
ADOPTED EXPENDITURE BUDGET FY 1992-93



MARICOPA COUNTY
1992-93 ADOPTED BUDGET

Total resources available for 1992-93 expenditures include estimated fund balances of \$132 million and revenues of approximately \$1.094 billion. All revenue figures included in the budget are estimates; the result of a complex forecasting process. The pages that follow offer a more detailed description of major revenue sources by giving historical reference points, highlights of revenue fluctuations and the basis for current year estimate. The concluding page of this section combines budgeted expenditures and estimated revenues to present a projection of Maricopa County's financial condition at fiscal year end.

**ADOPTED REVENUE BUDGET
FY 1992-93**





**JLBC Proposed County Increase in AHCCS
Property Tax**

County	Tax Rate	Tax Rate Limit	Status	Proposed AHCCS Increase	Equivalent Tax Rate Increase	Status	Percent of Increase
	B	C	D	E	F	G	H
Apache	0.2146	0.2146	At Limit	\$139,438	.0351	Over Limit	16.36%
Cochise	3.2108	3.2108	At Limit	1,149,066	.2959	Over Limit	9.22%
Cocoino	0.4485	0.4485	At Limit	385,444	.0616	Over Limit	13.74%
Gila	3.4000	3.8859		733,174	.2828		8.32%
Graham	2.5484	2.8879		278,184	.4661	Over Limit	18.29%
Greenlee	0.1783	0.1783	At Limit	98,956	.0545	Over Limit	30.55%
La Paz	2.7229	2.7229	At Limit	110,028	.1127	Over Limit	4.14%
Maricopa	1.0692	1.0692	At Limit	20,057,274	.1474	Over Limit	13.79%
Mohave	1.8318	1.8318	At Limit	642,176	.1072	Over Limit	5.85%
Navajo	0.4246	0.4246	At Limit	161,236	.0322	Over Limit	7.60%
Pima	3.6949	4.3166		7,757,320	.2629		7.11%
Pinal	4.5476	5.2024		1,408,912	.2520		5.54%
Santa Cruz	2.1035	3.1236		250,504	.1759		8.36%
Yavapai	2.1418	2.1728		740,786	.1087	Over Limit	5.07%
Yuma	1.9200	2.1691		687,502	.1777		9.25%
				\$34,600,000			

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