

State of Arizona
House of Representatives
Forty-fifth Legislature
First Regular Session
2001

CHAPTER 385

HOUSE BILL 2585

AN ACT

AMENDING SECTIONS 36-557 AND 36-2901, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2903.05; AMENDING SECTIONS 36-2921 AND 36-2923, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 36-2923.01, 36-2923.02, 36-2923.03 AND 36-2928; AMENDING SECTION 36-2931, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 29, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 36-2950 AND 36-2959; AMENDING SECTIONS 36-2982, AND 36-3403, ARIZONA REVISED STATUTES; AMENDING LAWS 2001, CHAPTER 236, SECTION 7; AMENDING LAWS 2001, CHAPTER 236, SECTION 109; AMENDING LAWS 1999, CHAPTER 313, SECTION 39; MAKING APPROPRIATIONS; RELATING TO THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 36-557, Arizona Revised Statutes, is amended to
3 read:

4 36-557. Purchase of community developmental disabilities
5 services; application; contracts; limitation

6 A. The department may use state and federal funds appropriated or
7 otherwise available to it for this purpose to assist in the establishment and
8 maintenance of local developmental disability services by public or private
9 nonprofit or profit agencies. The funds may be expended as professional fees
10 for service, in contracts for advancement or reimbursement or in another
11 appropriate manner and may be used for any purpose necessary to the provision
12 of local developmental disability services. They may not be used for
13 departmental salaries, care of developmentally disabled persons by the
14 department or any other purpose within the department itself, but they may
15 be used for consultation to the department in the interest of local programs.

16 B. A local public or private nonprofit or profit agency providing or
17 intending to provide community developmental disability services and desiring
18 to contract with the department for the furnishing of such services shall
19 submit a program plan and budget to the department on the forms and in the
20 manner required by the department. If the program meets departmental
21 standards and is consistent with the state plan of the department and the
22 individualized service program plan of the client, the department may,
23 NOTWITHSTANDING THE PROVISIONS OF TITLE 41, CHAPTER 23, RELATING TO
24 PROCUREMENT AND INCLUDING SERVICES PURSUANT TO SECTION 36-2943, contract with
25 that agency for such services as are required and upon such terms and
26 conditions as the department shall require. The contracts shall provide that
27 the provider of services shall be subject to a continuing program evaluation
28 by the department through progress reports, expenditure reports, program
29 audits or other appropriate evaluation techniques and to assure that the
30 provider of service is in continued compliance with the terms of the contract
31 and the department's community developmental disability service standards and
32 requirements.

33 C. Contracts between the department and a school district or districts
34 shall be subject to approval by the department of education.

35 D. This article does not make the department or the state responsible
36 for funding programs beyond the limits of legislative appropriation for the
37 programs. This article does not require a provider of services to provide
38 unreimbursed services to the department or its clients.

39 E. Contracts to provide community developmental disability services
40 shall require that:

41 1. The contractor is obligated to operate a program or service in
42 strict accordance with the standards adopted for such program or service by
43 the department.

44 2. If state funding is provided for a particular program the
45 contractor, to the extent of positions available which are being purchased

1 by the department, shall provide services to a developmentally disabled
2 client who has been evaluated and placed by the department.

3 3. All contractors must carry liability insurance in amounts approved
4 by the risk management section of the department of administration and file
5 proof of such insurance with the risk management section. The director may
6 waive such requirement on a case by case basis upon a finding that insurance
7 for such program or service is not practicably available at affordable rates
8 and that it is necessary that the program or service be provided by the
9 contractor.

10 4. All clients enrolled in programs shall have all the same specified
11 rights as they would have if enrolled in a program operated directly by the
12 state.

13 5. Except for emergency placement pursuant to section 36-560,
14 subsection N, payment shall not be made based on program services provided
15 to a client if a placement evaluation has not been made, and no individual
16 program has been prepared and when, upon such placement evaluation, no
17 recommendation has been made to enroll the client in the particular program
18 service.

19 This article does not require a contracted agency to provide unreimbursed
20 services to the department or a client of the department.

21 F. Contracts for the purchase of residential care services other than
22 those community residential settings licensed pursuant to this chapter shall,
23 in addition to other general requirements applicable to purchase of care
24 contractors:

25 1. Provide for mandatory inspection by the department every two years
26 for facilities other than group homes.

27 2. Provide for mandatory monitoring by the department for health,
28 safety, contractual and programmatic standards at least every six months.

29 3. Provide for mandatory investigation by the department in response
30 to complaints within ten working days, except that in those instances which
31 pose a danger to the client, the department shall conduct the investigation
32 immediately. Health and safety complaints related to group homes shall be
33 referred to the department of health services on receipt. The department of
34 health services shall share all incident reports related to health and safety
35 with the division of developmental disabilities.

36 4. Except for group homes licensed by the department of health
37 services, specify the health and safety and sanitation codes and other codes
38 or standards applicable to the facility or to the operation of the facility
39 by the contractor other than group homes.

40 5. Provide for mandatory periodic reports to be filed by the provider
41 contractor with the department with respect to the operation of the facility.

42 6. Provide that the facility and the books and records of the facility
43 and of the provider are subject to inspection at any time by employees of the
44 department or designees of the department.

1 7. Provide that parents and guardians of developmentally disabled
2 persons residing at the facility, members of the developmental disabilities
3 advisory council, and members of other recognized and ongoing advocacy groups
4 for developmentally disabled persons may inspect the facility at reasonable
5 times.

6 G. Contracts for purchase of residential care services shall require
7 a community residential setting, as defined in section 36-551, to be licensed
8 pursuant to this chapter other than group homes licensed by the department
9 of health services.

10 H. The division shall ensure that all contracted developmental
11 disabilities service providers rendering services pursuant to this chapter
12 are reimbursed in accordance with title XIX of the social security act.

13 I. Any contract issued by the division shall include language
14 outlining the provisions for the grievance and appeal procedure. The
15 grievance process applicable to these contracts shall comply with title XIX
16 of the social security act as implemented by department rules and section
17 36-563.

18 J. As a condition of contracts with any developmental disabilities
19 service provider, the director shall require terms that conform with state
20 and federal laws, title XIX statutes and regulations and quality
21 standards. The director shall further require contract terms that ensure
22 performance by the provider of the provisions of each contract executed
23 pursuant to this article.

24 K. The division shall MAY establish a rate structure that ensures an
25 equitable funding basis for private nonprofit or for profit agencies FOR
26 SERVICES PURSUANT TO SUBSECTION B OF THIS SECTION AND SECTION 36-2943. In
27 each fiscal year, the division shall review and may adjust the rate structure
28 based on ~~prevailing market costs of each service, the costs associated with~~
29 ~~the comparable services provided by the division and actuarial studies~~ THE
30 PROVISIONS OF SECTION 36-2959.

31 L. The division shall disclose to a service provider in the individual
32 program plan defined by section 36-551 any historical and behavioral
33 information necessary for the provider to be able to anticipate the client's
34 future behaviors and needs.

35 Sec. 2. Section 36-2901, Arizona Revised Statutes, is amended to read:

36 36-2901. Definitions

37 In this article, unless the context otherwise requires:

38 1. "Administration" means the Arizona health care cost containment
39 system administration.

40 2. "Administrator" means the administrator of the Arizona health care
41 cost containment system.

42 3. "Director" means the director of the Arizona health care cost
43 containment system administration.

44 4. "Eligible person" means any person who is:

45 (a) Classified as an indigent pursuant to section 11-297.

1 (b) Under federal law any of the following:

2 (i) Defined as mandatorily or optionally eligible pursuant to title
3 XIX of the social security act as authorized by the state plan.

4 (ii) Defined as an eligible pregnant woman, and an infant under the
5 age of one year, pursuant to section 1902(1)(1)(A) and (B) of title XIX of
6 the social security act, as amended by section 4603 of the omnibus budget
7 reconciliation act of 1990, and whose family income does not exceed one
8 hundred forty per cent of the federal poverty guidelines as updated annually
9 in the federal register by the United States department of health and human
10 services and children defined as eligible children who have not attained
11 nineteen years of age pursuant to section 1902(1)(1)(D) of title XIX of the
12 social security act, as amended by section 4601 of the omnibus budget
13 reconciliation act of 1990, and whose family income does not exceed one
14 hundred per cent of the federal poverty guidelines as updated annually in the
15 federal register by the United States department of health and human
16 services, and children defined as eligible pursuant to section 1902 (1)(1)(C)
17 of title XIX of the social security act, as amended by section 6401 of the
18 omnibus budget reconciliation act of 1989, and whose family income does not
19 exceed one hundred thirty-three per cent of the federal poverty guidelines
20 as updated annually in the federal register by the United States department
21 of health and human services.

22 (iii) Under twenty-one years of age, who was in the custody of the
23 department of economic security pursuant to title 8, chapter 5 or 10 when the
24 person became eighteen years of age and who has an income that does not
25 exceed two hundred per cent of the federal poverty guidelines as updated
26 annually in the federal register by the United States department of health
27 and human services.

28 (c) Classified as a medically needy person pursuant to section
29 36-2905.

30 (d) A full-time officer or employee of this state or of a city, town
31 or school district of this state or other person who is eligible for
32 hospitalization and medical care under title 38, chapter 4, article 4.

33 (e) A full-time officer or employee of any county in this state or
34 other persons authorized by the county to participate in county medical care
35 and hospitalization programs if the county in which such officer or employee
36 is employed has authorized participation in the system by resolution of the
37 county board of supervisors.

38 (f) An employee of a business within this state.

39 (g) A dependent of an officer or employee who is participating in the
40 system.

41 (h) Classified as an eligible child pursuant to section 36-2905.03.

42 (i) Not enrolled in the Arizona long-term care system pursuant to
43 article 2 of this chapter.

44 (j) Classified as an eligible person pursuant to section 36-2905.05.

1 (k) DEFINED AS ELIGIBLE PURSUANT TO SECTION 1902(a)(10)(A)(ii)(XV) AND
2 (XVI) OF TITLE XIX OF THE SOCIAL SECURITY ACT AND WHO MEETS THE INCOME
3 REQUIREMENTS OF SECTION 36-2928.

4 5. "Malice" means evil intent and outrageous, oppressive or
5 intolerable conduct that creates a substantial risk of tremendous harm to
6 others.

7 6. "Member" means an eligible person who enrolls in the system.

8 7. "Nonprovider" means a person who provides hospital or medical care
9 but does not have a contract or subcontract within the system.

10 8. "Physician" means a person licensed pursuant to title 32, chapter
11 13 or 17.

12 9. "Prepaid capitated" means a mode of payment by which a health care
13 provider directly delivers health care services for the duration of a
14 contract to a maximum specified number of members based on a fixed rate per
15 member notwithstanding:

16 (a) The actual number of members who receive care from the provider.

17 (b) The amount of health care services provided to any member.

18 10. "Primary care physician" means a physician who is a family
19 practitioner, general practitioner, pediatrician, general internist, or
20 obstetrician or gynecologist.

21 11. "Primary care practitioner" means a nurse practitioner certified
22 pursuant to title 32, chapter 15 or a physician assistant certified pursuant
23 to title 32, chapter 25. This paragraph does not expand the scope of
24 practice for nurse practitioners as defined pursuant to title 32, chapter 15,
25 or for physician assistants as defined pursuant to title 32, chapter 25.

26 12. "Provider" means any person who contracts with the administration
27 for the provision of hospitalization and medical care to members according
28 to the provisions of this chapter or any subcontractor of such provider
29 delivering services pursuant to this article.

30 13. "State plan" has the same meaning prescribed in section 36-2931.

31 14. "System" means the Arizona health care cost containment system
32 established by this article.

33 Sec. 3. Title 36, chapter 29, article 1, Arizona Revised Statutes, is
34 amended by adding section 36-2903.05, to read:

35 36-2903.05. Uniform application and eligibility process

36 A. THE DIRECTOR SHALL ADOPT RULES TO PRESCRIBE A UNIFORM APPLICATION
37 AND ELIGIBILITY PROCESS FOR PARTICIPANTS IN THE PREMIUM SHARING PROGRAM, THE
38 CHILDREN'S HEALTH INSURANCE PROGRAM AND HEALTHCARE GROUP.

39 B. THE ADMINISTRATION SHALL COORDINATE APPLICATION SCREENING FOR THE
40 PROGRAMS PRESCRIBED IN SUBSECTION A AND FACILITATE THE TRANSFER OF A MEMBER
41 FROM ONE PROGRAM TO ANOTHER PROGRAM FOR WHICH THE MEMBER QUALIFIES.

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

3 A. Subject to the availability of monies in the medically needy
4 account established pursuant to section 36-774 the administration shall use
5 the monies in the account in the following order:

6 1. The administration shall withdraw the amount necessary to pay the
7 state share of costs for providing health care services to any person who is
8 eligible pursuant to section 36-2901, paragraph 4, subdivisions (a), (c) and
9 (h) and who becomes eligible for a heart, lung, heart-lung, liver or
10 autologous and allogeneic bone marrow transplant pursuant to section 36-2907,
11 subsection A, paragraph 11, subdivision (d) as determined by the
12 administrator and to any person who is eligible pursuant to section 36-2901,
13 paragraph 4, subdivision (b) and who becomes eligible for a lung or
14 heart-lung transplant pursuant to section 36-2907, subsection A, paragraph
15 11, subdivision (b), as determined by the administrator.

16 2. Beginning on August 1, 1995 and on the first day of each month
17 until July 1, 1998, the sum of one million two hundred fifty thousand dollars
18 shall be transferred from the medically needy account to the medical services
19 stabilization fund for uses as prescribed in section 36-2922.

20 3. The administration shall withdraw the sum of nine million two
21 hundred fifty-one thousand one hundred dollars in fiscal year 1998-1999 for
22 deposit in the children's health insurance program fund established by
23 section 36-2995 to pay the state share of the children's health insurance
24 program established pursuant to article 4 of this chapter.

25 4. From and after August 1, 1995 and each year thereafter, the
26 administration shall transfer the following monies to the department of
27 health services to be allocated as follows if the department awards a
28 contract:

29 (a) Five million dollars, for the mental health grant program
30 established pursuant to section 36-3414.

31 (b) Six million dollars, for primary care services established
32 pursuant to section 36-2907.05.

33 (c) Five million dollars, for grants to the qualifying community
34 health centers established pursuant to section 36-2907.06, subsection A.

35 5. The administration shall transfer up to five hundred thousand
36 dollars for fiscal years 1997-1998, 1998-1999 and 1999-2000 for pilot
37 programs providing detoxification services in counties having a population
38 of five hundred thousand persons or less according to the most recent United
39 States decennial census.

40 6. The administration shall transfer up to two hundred fifty thousand
41 dollars annually for fiscal years 1995-1996, 1996-1997, 1997-1998, 1998-1999
42 and 1999-2000 for telemedicine pilot programs designed to facilitate the
43 provision of medical services to persons living in medically underserved
44 areas as provided in section 36-2352.

1 7. The administration shall transfer up to two hundred fifty thousand
2 dollars annually beginning in fiscal year 1996-1997 for contracts by the
3 department of health services with nonprofit organizations that primarily
4 assist in the management of end stage renal disease and related problems.
5 Contracts shall not include payments for transportation of patients for
6 dialysis.

7 8. ~~Contingent on the existence of a premium sharing demonstration~~
8 ~~project fund, beginning October 1, 1996 and until September 30, 1999, FOR~~
9 FISCAL YEAR 2001-2002 the administration shall withdraw the sum of twenty
10 FIVE million dollars AND BEGINNING ON JULY 1, 2002 TWENTY MILLION DOLLARS in
11 each of fiscal years ~~1996-1997, 1997-1998 and 1998-1999~~ YEAR for deposit in
12 the premium sharing demonstration project PROGRAM fund established by section
13 36-2923 to provide health care services to any person who is eligible for an
14 Arizona health care cost containment system premium sharing demonstration
15 program enacted by the legislature. The Arizona health care cost containment
16 system premium sharing demonstration program enacted by the legislature shall
17 IS not be an entitlement program. ~~Beginning on October 1, 1997,~~ The
18 administration shall annually withdraw monies from the medically needy
19 account not to exceed four per cent of the sum of any monies transferred
20 pursuant to this paragraph for administrative costs associated with the
21 premium sharing demonstration project PROGRAM. THE ADMINISTRATION SHALL USE
22 UP TO ONE-HALF OF ONE PER CENT OF THIS AMOUNT FOR MARKETING AND OUTREACH.
23 Administrative costs in excess of two per cent shall be funded from the
24 interest payments from the ~~twenty million dollars~~ MONIES withdrawn from the
25 medically needy account to fund the premium sharing program pursuant to this
26 paragraph.

27 9. Subject to the availability of monies, the Arizona health care cost
28 containment system administration shall transfer to the department of health
29 services up to five million dollars in fiscal years 1996-1997 and 1997-1998
30 and two million five hundred thousand dollars in fiscal year 1998-1999 for
31 providing nonentitlement funding for a basic children's medical services
32 program established by section 36-2907.08. The administration may also
33 withdraw and transfer to the department amounts for program evaluation and
34 for administrative costs as prescribed in section 36-2907.08.

35 10. Subject to the availability of monies, the sum of one million
36 dollars shall be transferred annually to the health crisis fund for use as
37 prescribed in section 36-797.

38 11. Subject to the availability of monies, the Arizona health care cost
39 containment system administration shall transfer to the aging and adult
40 administration in the department of economic security the sum of five hundred
41 thousand dollars annually beginning in fiscal year 1997-1998 for services
42 provided pursuant to section 46-192, subsection A, paragraph 4. Services
43 shall be used for persons who meet the low income eligibility criteria
44 developed by the aging and adult administration.

1 12. Subject to the availability of monies, the Arizona health care cost
2 containment system administration shall transfer to the department of health
3 services the sum of two hundred thousand dollars annually beginning in fiscal
4 year 1998-1999 for contracts entered into pursuant to section 36-132,
5 subsection D, with hospitals that are licensed by the department of health
6 services and that perform nonrenal organ transplant operations. These
7 contracts shall not include payments for transportation to and from treatment
8 facilities.

9 13. Subject to the availability of monies, the Arizona health care cost
10 containment system administration shall annually transfer to the department
11 of health services the sum of one hundred eleven thousand two hundred dollars
12 to implement the rural private primary care provider loan repayment program
13 established pursuant to section 36-2174. The department shall not use these
14 monies for administrative costs. The transfers made pursuant to this
15 paragraph are exempt from the provisions of section 35-190 relating to
16 lapsing of appropriations.

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

20 C. The administration shall annually withdraw monies from the
21 medically needy account in the amount necessary to reimburse the department
22 of health services for administrative costs to implement each program
23 established pursuant to subsection A of this section not to exceed four per
24 cent of the amount transferred for each program.

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

28 E. The administration shall annually report, no later than November
29 1, to the director of the joint legislative budget committee the annual
30 revenues deposited in the medically needy account and the estimated
31 expenditures needed in the subsequent year to provide funding for services
32 provided in subsection A, paragraph 1 of this section. The administration
33 shall immediately report to the director of the joint legislative budget
34 committee if at any time the administration estimates that the amount
35 available in the medically needy account will not be sufficient to fund the
36 maximum allocations established in this section.

37 Sec. 5. Section 36-2923, Arizona Revised Statutes, is amended to read:
38 36-2923. Premium sharing program fund; purpose; expenditures;
39 nonlapsing; investment

40 A. ~~THE premium sharing demonstration project PROGRAM~~ fund is
41 established for costs associated with ~~an THE Arizona health care cost~~
42 containment system premium sharing demonstration project PROGRAM that ~~is to~~
43 provide PROVIDES uninsured persons access to medical services provided by
44 system providers. The fund consists of monies deposited from the medically
45 needy account of the tobacco tax and health care fund pursuant to section

1 36-2921, subsection A, paragraph 8, MONIES THAT ARE DEPOSITED IN A FUND
2 ESTABLISHED PURSUANT TO THE TOBACCO LITIGATION MASTER SETTLEMENT AGREEMENT
3 ENTERED INTO ON NOVEMBER 23, 1998 AND THAT ARE DESIGNATED FOR THE PROGRAM and
4 premiums collected from demonstration project PROGRAM participants. The
5 administration shall administer the fund as a continuing appropriation.

6 ~~B. Beginning on October 1, 1997, if a premium sharing demonstration~~
7 ~~project is established, the administration shall spend monies in the fund~~
8 ~~through the first quarter of fiscal year 2001-2002 to cover demonstration~~
9 ~~project expenditures. The administration may continue to make expenditures~~
10 ~~from the fund, subject to the availability of monies in the fund, for~~
11 ~~covering program costs incurred but not processed by the administration~~
12 ~~during the fiscal years in which the program officially operated.~~

13 ~~C. The director may withdraw not more than seventy-five thousand~~
14 ~~dollars from the fund for the fifteen month period beginning July 1, 1996 and~~
15 ~~ending September 30, 1997 to cover administrative expenditures related to the~~
16 ~~development of a premium sharing demonstration project proposal or any~~
17 ~~premium sharing demonstration project analysis requested by a committee of~~
18 ~~the legislature.~~

19 ~~D. B. Monies in the PREMIUM SHARING PROGRAM fund are continuously~~
20 ~~appropriated through September 30, 2001 and are exempt from the provisions~~
21 ~~of section 35-190 relating to lapsing of appropriations. , except that all~~
22 ~~unexpended and unencumbered monies remaining on October 1, 2002 revert to the~~
23 ~~medically needy account of the tobacco tax and health care fund.~~

24 ~~E. C. On notice from the administrator, the state treasurer shall~~
25 ~~invest and divest monies in the fund as provided by section 35-313, and~~
26 ~~monies earned from investment shall be credited to the fund.~~

27 ~~F. For purposes of this section, unless otherwise noted, "fund" means~~
28 ~~the premium sharing demonstration project fund.~~

29 Sec. 6. Title 36, chapter 29, article 1, Arizona Revised Statutes, is
30 amended by adding sections 36-2923.01, 36-2923.02, 36-2923.03 and 36-2928,
31 to read:

32 36-2923.01. Premium sharing program; eligibility; program
33 termination; definitions

34 A. THE ADMINISTRATION SHALL CONTRACT WITH HEALTH PLANS TO ESTABLISH
35 THE PREMIUM SHARING PROGRAM TO PROVIDE SERVICES TO UNINSURED PERSONS AS
36 AUTHORIZED PURSUANT TO THIS SECTION. IF THE DIRECTOR DETERMINES THERE IS
37 INSUFFICIENT COVERAGE IN A COUNTY, THE DIRECTOR SHALL ATTEMPT TO CONTRACT
38 WITH A PREPAID CAPITATED PROVIDER AS DEFINED IN SECTION 36-2901 TO PROVIDE
39 SERVICES UNDER THE PROGRAM.

40 B. ENROLLEES SHALL PAY A COPAYMENT PURSUANT TO SUBSECTION G OF THIS
41 SECTION AT THE TIME SERVICES ARE RENDERED AND A MONTHLY PREMIUM TO OBTAIN
42 ACCESS TO MEDICAL SERVICES. THE ADMINISTRATION SHALL USE THE PREMIUM SHARING
43 PROGRAM FUND ESTABLISHED BY SECTION 36-2923 TO SUBSIDIZE PORTIONS OF THE
44 ENROLLEE'S TOTAL PREMIUM COSTS. ENROLLEES SHALL RECEIVE MEDICAL SERVICES IF

1 THEY PAY THE REQUIRED MONTHLY PREMIUM COSTS MINUS THE STATE SUBSIDIZED
2 AMOUNT, PAY ALL OF THEIR COPAYMENT CHARGES AND COMPLY WITH THIS SECTION.

3 C. THE TOTAL AMOUNT OF STATE MONIES THAT THE ADMINISTRATION MAY SPEND
4 IN ANY FISCAL YEAR FOR THE PREMIUM SHARING PROGRAM SHALL NOT EXCEED THE
5 MONIES AVAILABLE PURSUANT TO SECTION 36-2923.

6 D. THE ADMINISTRATION IS THE PAYOR OF LAST RESORT PURSUANT TO SECTION
7 36-2903, SUBSECTION G.

8 E. THE DIRECTOR SHALL ADMINISTER AND IMPLEMENT THE PROGRAM. THE
9 DIRECTOR HAS FULL OPERATIONAL AUTHORITY TO CARRY OUT THE ADMINISTRATIVE
10 FUNCTIONS OF THE PROGRAM AND SHALL:

11 1. ESTABLISH A PROCESS FOR BILLING AND COLLECTING THE ENROLLEE'S
12 COPAYMENTS AND MONTHLY PREMIUMS.

13 2. MAINTAIN ENROLLEE DATA INFORMATION.

14 3. ESTABLISH AN AGGRESSIVE DISENROLLMENT PROCESS FOR ENROLLEES WHO
15 DEFAULT ON PAYING PREMIUMS OR WHO DO NOT COMPLY WITH PREMIUM PAYMENT
16 DEADLINES AS PRESCRIBED BY THE ADMINISTRATION. PARTICIPANTS WHO VOLUNTARILY
17 TERMINATE ELIGIBILITY FOR THE PROGRAM OR WHO DO NOT PAY THE REQUIRED PREMIUMS
18 ARE NOT ELIGIBLE TO REENROLL FOR A PERIOD OF TWELVE MONTHS FROM THE DATE OF
19 DISENROLLMENT.

20 4. ESTABLISH A SYSTEM FOR TRACKING AN ENROLLEE'S PREMIUM COLLECTION
21 AND NONCOLLECTION.

22 5. RECOVER ANY THIRD PARTY COLLECTIONS TO CARRY OUT THIS DUTY. THE
23 ADMINISTRATION IS ENTITLED TO ALL RIGHTS PROVIDED TO THE ADMINISTRATION FOR
24 LIENS AND RELEASE OF CLAIMS AS SPECIFIED IN SECTIONS 36-2915 AND 36-2916.

25 6. COORDINATE BENEFITS PURSUANT TO SECTION 36-2903.

26 7. ESTABLISH A GRIEVANCE AND APPEALS PROCESS THAT CONFORMS TO THE
27 PROCESS AND TIME FRAMES IN THIS ARTICLE.

28 F. FOR THE PURPOSES OF DETERMINING ELIGIBILITY, THE DIRECTOR SHALL
29 DEVELOP:

30 1. AN APPLICATION PROCESS FOR PROGRAM APPLICANTS. GROSS ANNUAL INCOME
31 IS BASED ON INCOME RECEIVED DURING THE MONTH IMMEDIATELY PRECEDING THE
32 APPLICATION FOR ELIGIBILITY FOR THE PREMIUM SHARING PROGRAM.

33 2. A PROCESS TO REVIEW THE ELIGIBILITY OF THE ENROLLEE NOT LESS THAN
34 EVERY TWELVE MONTHS. ON REDETERMINATION, THE ADMINISTRATION SHALL CALCULATE
35 GROSS ANNUAL INCOME FOR ENROLLEES PURSUANT TO PARAGRAPH 1 OF THIS SUBSECTION.

36 G. AN ENROLLEE SHALL RECEIVE HEALTH CARE SERVICES AS PRESCRIBED. THE
37 ADMINISTRATION BY RULE SHALL ESTABLISH ENROLLEE COPAYMENTS FOR EACH SERVICE.

38 H. ENROLLEES ARE ELIGIBLE FOR CORNEA AND KIDNEY TRANSPLANT SERVICES
39 AND IMMUNOSUPPRESSANT DRUGS. ENROLLEES WHO HAVE A CHRONIC DISEASE AS
40 PRESCRIBED IN THIS SECTION ARE ELIGIBLE FOR MEDICATIONS TO TREAT THEIR
41 ILLNESS AND FOR ALL TRANSPLANTS SPECIFIED IN SECTION 36-2907.

42 I. ENROLLEES ARE ELIGIBLE FOR MEDICALLY NECESSARY BREAST
43 RECONSTRUCTIONS FOLLOWING A MASTECTOMY PERFORMED BY A CONTRACTED HEALTH PLAN
44 PURSUANT TO THIS SECTION.

1 J. MEDICAL SERVICE PROVIDERS MAY WITHHOLD NONEMERGENCY MEDICAL
2 SERVICES TO ENROLLEES WHO DO NOT PAY COPAYMENTS IN FULL AT THE TIME THE
3 SERVICE IS RENDERED.

4 K. THE DIRECTOR SHALL REQUIRE AS A CONDITION OF A CONTRACT WITH ANY
5 PROVIDER THAT A MARKETING PLAN BE DEVELOPED TO REACH PERSONS WHO ARE ELIGIBLE
6 PURSUANT TO THIS SECTION.

7 L. THE ADMINISTRATION SHALL ESTABLISH ACTUARIALLY SOUND CAPITATION
8 RATES. THE ADMINISTRATION SHALL ESTABLISH THE TOTAL PREMIUM COSTS AND SHALL
9 ESTABLISH THE PORTION OF THE MONTHLY PREMIUM THAT EACH ENROLLEE SHALL PAY
10 BASED ON THE FOLLOWING:

11 1. THE ENROLLEE'S HOUSEHOLD GROSS INCOME AND HOUSEHOLD SIZE. AN
12 ENROLLEE WITH AN ANNUAL GROSS HOUSEHOLD INCOME OF UP TO AND INCLUDING TWO
13 HUNDRED FIFTY PER CENT OF THE FEDERAL POVERTY GUIDELINES SHALL PAY A PORTION
14 OF THE PREMIUM THAT DOES NOT EXCEED SIX PER CENT OF THE ENROLLEE'S HOUSEHOLD
15 GROSS INCOME. AN ENROLLEE AS DEFINED IN SUBSECTION T, PARAGRAPH 1,
16 SUBDIVISION (d) OF THIS SECTION WHO HAS A CHRONIC DISEASE AND WHO HAS AN
17 ANNUAL GROSS HOUSEHOLD INCOME ABOVE TWO HUNDRED FIFTY PER CENT OF THE FEDERAL
18 POVERTY GUIDELINES BUT NOT MORE THAN FOUR HUNDRED PER CENT OF THE FEDERAL
19 POVERTY GUIDELINES SHALL PAY THE FULL PREMIUM ESTABLISHED BY THE
20 ADMINISTRATION.

21 2. THE TOTAL AMOUNT OF MONIES AVAILABLE IN THE PREMIUM SHARING PROGRAM
22 FUND ESTABLISHED BY SECTION 36-2923.

23 M. ENROLLEES SHALL PAY THE REQUIRED ENROLLEE PREMIUM PAYMENT AND FULL
24 COPAYMENT CHARGES ESTABLISHED BY THE ADMINISTRATION.

25 N. PREGNANCY IS NOT CONSIDERED A PREEXISTING CONDITION FOR THE
26 PURPOSES OF REFUSING SERVICES.

27 O. ONCE A PARTICIPANT IS DETERMINED ELIGIBLE, THE PARTICIPANT'S FAMILY
28 MEMBERS ARE ALSO CONSIDERED ELIGIBLE. AS A CONDITION OF ELIGIBILITY, THE
29 DIRECTOR MAY ADOPT RULES THAT REQUIRE A MINIMUM TIME PERIOD DURING WHICH A
30 PERSON WHO IS INVOLUNTARILY DROPPED FROM INSURANCE COVERAGE MUST BE
31 UNINSURED.

32 P. NOTWITHSTANDING ANY OTHER LAW, ARIZONA HEALTH CARE COST CONTAINMENT
33 SYSTEM HEALTH PLANS THAT PARTICIPATE IN THE PREMIUM SHARING PROGRAM AND
34 HEALTHCARE GROUP FOR THE PURPOSES OF THE PROGRAM ARE NOT SUBJECT TO THE
35 HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 (P.L. 104-191),
36 BUT PARTICIPANTS IN THE PREMIUM SHARING PROGRAM MAY USE ENROLLMENT IN THE
37 PREMIUM SHARING PROGRAM AS CREDITABLE COVERAGE AS DEFINED IN THE HEALTH
38 INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996.

39 Q. PERSONS WHO ARE ENROLLED IN THE PROGRAM AND WHO SUBSEQUENTLY
40 DEVELOP A CHRONIC DISEASE SHALL BE INCLUDED IN THE CAP OF TWO HUNDRED
41 PERSONS. PERSONS ENROLLED IN THE PROGRAM WHO HAD A CHRONIC ILLNESS BUT WHO
42 HAVE RECOVERED FROM THIS HEALTH CONDITION SHALL BE DEDUCTED FROM THE CAP OF
43 TWO HUNDRED PERSONS. IF THE CAP HAS BEEN REACHED, THE ENROLLED MEMBER WHO
44 DEVELOPS A CHRONIC DISEASE SHALL BE INCLUDED IN THE CAP AND ANY NEW

1 APPLICANTS SHALL BE PUT ON A WAITING LIST UNTIL THE NUMBER OF PERSONS WITH
2 A CHRONIC CONDITION IS BELOW TWO HUNDRED PERSONS.

3 R. THE PROGRAM ESTABLISHED BY THIS SECTION ENDS ON JULY 1, 2010
4 PURSUANT TO SECTION 41-3102.

5 S. THE ADMINISTRATION BY RULE SHALL PRESCRIBE THE DEFINITION OF
6 CHRONIC DISEASE.

7 T. FOR THE PURPOSES OF THIS SECTION:

8 1. "ENROLLEE" MEANS A RESIDENT OF THIS STATE WHO IS A CITIZEN OF THE
9 UNITED STATES OR WHO MEETS THE ALIENAGE REQUIREMENTS ESTABLISHED PURSUANT TO
10 THIS ARTICLE AND WHO:

11 (a) HAS BEEN SCREENED PURSUANT TO SUBSECTION F OF THIS SECTION AND IS
12 INELIGIBLE FOR SERVICES PURSUANT TO CHAPTER 29, ARTICLE 1, 2 OR 4 OF THIS
13 TITLE.

14 (b) SUBMITS AN APPLICATION FOR THE PREMIUM SHARING PROGRAM AS
15 PRESCRIBED BY THE ADMINISTRATION.

16 (c) EXCEPT AS PROVIDED IN SUBDIVISION (d) OF THIS PARAGRAPH, HAS AN
17 ANNUAL HOUSEHOLD GROSS INCOME THAT DOES NOT EXCEED TWO HUNDRED FIFTY PER CENT
18 OF THE FEDERAL POVERTY GUIDELINES.

19 (d) HAS AN ANNUAL HOUSEHOLD GROSS INCOME OF BETWEEN ZERO AND FOUR
20 HUNDRED PER CENT OF THE FEDERAL POVERTY GUIDELINES AND WHO HAS AT LEAST ONE
21 CHRONIC DISEASE AS PRESCRIBED IN THIS SECTION. IF THE CHRONIC DISEASE IS
22 CAUSED BY ALCOHOL, DRUG OR CHEMICAL ABUSE, THE APPLICANT IS NOT ELIGIBLE FOR
23 THE PREMIUM SHARING PROGRAM. A DIRECT STATE SUBSIDY SHALL NOT BE CONTRIBUTED
24 TO SHARE IN THE COST OF ANY ENROLLEE WHOSE GROSS INCOME EXCEEDS TWO HUNDRED
25 FIFTY PER CENT OF THE FEDERAL POVERTY GUIDELINES.

26 (e) DEMONSTRATES THAT THE ENROLLEE HAS NOT VOLUNTARILY LOST INSURANCE
27 AT ANY TIME DURING THE THIRTY DAYS PRECEDING THE DATE OF APPLICATION. THIS
28 SUBDIVISION DOES NOT APPLY TO ANY APPLICANT WHO IS NO LONGER ELIGIBLE
29 PURSUANT TO SECTION 36-2901, PARAGRAPH 4, SUBDIVISIONS (a), (b), (c) AND (h)
30 OR TO A PERSON WHO IS CHRONICALLY ILL AND WHO HAS AN ANNUAL HOUSEHOLD GROSS
31 INCOME ABOVE TWO HUNDRED FIFTY PER CENT OF THE FEDERAL POVERTY GUIDELINES BUT
32 NOT MORE THAN FOUR HUNDRED PER CENT OF THE FEDERAL POVERTY GUIDELINES. THE
33 REQUIREMENT THAT AN ENROLLEE BE WITHOUT HEALTH CARE COVERAGE FOR THIRTY DAYS
34 PURSUANT TO THIS SUBDIVISION DOES NOT APPLY TO A PERSON WHO IS ENROLLED IN
35 THE PREMIUM SHARING PROGRAM.

36 (f) AGREES TO SHARE IN THE COST OF THE PREMIUMS ESTABLISHED BY THE
37 ADMINISTRATION PURSUANT TO SUBSECTION L OF THIS SECTION.

38 (g) AGREES TO COOPERATE FULLY WITH THE ADMINISTRATION IN THE
39 DETERMINATION OF HOUSEHOLD INCOME FOR THE PURPOSES OF DETERMINING GROSS
40 INCOME AND PREMIUM COSTS.

41 (h) IS NOT ELIGIBLE FOR MEDICARE BENEFITS THROUGH TITLE XVIII OF THE
42 SOCIAL SECURITY ACT OR SUPPLEMENTAL SECURITY INCOME PAYMENTS ASSOCIATED WITH
43 BLINDNESS OR DISABILITY.

44 (i) IS INELIGIBLE FOR COVERAGE THROUGH THE VETERANS ADMINISTRATION FOR
45 THE CONDITION IN QUESTION.

1 (j) HAS NOT BEEN FOUND BY A GOVERNMENTAL AGENCY OR A COURT OF LAW TO
2 HAVE COMMITTED AN ACT OF FRAUD OR ABUSE WITH RESPECT TO ANY CASH OR IN-KIND
3 BENEFIT PROGRAM INCLUDING TEMPORARY ASSISTANCE FOR NEEDY FAMILIES, GENERAL
4 ASSISTANCE, FOOD STAMPS, A STATE MEDICAID PROGRAM OR ANY STATE OR COUNTY
5 SPONSORED MEDICAL ASSISTANCE PROGRAM.

6 (k) IS NOT ELIGIBLE FOR BENEFITS UNDER TITLE XIX OF THE SOCIAL
7 SECURITY ACT, EXCEPT WOMEN WHO ARE ELIGIBLE FOR THE SIXTH OMNIBUS BUDGET
8 RECONCILIATION ACT EXTENSION.

9 (l) IS ELIGIBLE FOR COVERAGE BASED ON THE ALLOCATION ESTABLISHED IN
10 SECTION 36-2921.

11 2. "FEDERAL POVERTY GUIDELINES" MEANS THE GUIDELINES PUBLISHED
12 ANNUALLY BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES.

13 3. "HEALTHCARE GROUP" INCLUDES THE SEPARATE ORGANIZATION ESTABLISHED
14 PURSUANT TO SECTION 36-2912.

15 36-2923.02. Premium sharing program oversight committee;
16 membership; duties

17 A. THE PREMIUM SHARING PROGRAM OVERSIGHT COMMITTEE IS ESTABLISHED
18 CONSISTING OF:

19 1. THREE MEMBERS OF THE SENATE WHO ARE APPOINTED BY THE PRESIDENT OF
20 THE SENATE AND NOT MORE THAN TWO OF WHOM ARE MEMBERS OF THE SAME POLITICAL
21 PARTY. THE PRESIDENT OF THE SENATE SHALL APPOINT ONE OF THESE MEMBERS TO
22 COCHAIR THE COMMITTEE.

23 2. THREE MEMBERS OF THE HOUSE OF REPRESENTATIVES WHO ARE APPOINTED BY
24 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND NOT MORE THAN TWO OF WHOM ARE
25 MEMBERS OF THE SAME POLITICAL PARTY. THE SPEAKER OF THE HOUSE OF
26 REPRESENTATIVES SHALL APPOINT ONE OF THESE MEMBERS TO COCHAIR THE COMMITTEE.

27 B. THE COMMITTEE SHALL:

28 1. REVIEW THE CAPITATION RATES, PREMIUMS AND COPAYMENTS ESTABLISHED
29 BY THE ADMINISTRATION.

30 2. SUBMIT A REPORT TO THE GOVERNOR, THE SPEAKER OF THE HOUSE OF
31 REPRESENTATIVES AND THE PRESIDENT OF THE SENATE ON OR BEFORE NOVEMBER 15 OF
32 EACH YEAR REGARDING THE COMMITTEE'S RECOMMENDATIONS AND OBSERVATIONS ON THE
33 PROGRAMS' OPERATION. THE COMMITTEE SHALL PROVIDE A COPY OF ITS ANNUAL REPORT
34 TO THE SECRETARY OF STATE, THE DIRECTOR OF THE ARIZONA STATE LIBRARY,
35 ARCHIVES AND PUBLIC RECORDS AND THE DIRECTOR OF THE LEGISLATIVE COUNCIL.

36 36-2923.03. Reporting requirement

37 A. THE DIRECTOR SHALL REPORT SEMIANNUALLY TO THE PREMIUM SHARING
38 PROGRAM OVERSIGHT COMMITTEE ON THE OPERATION OF THE PREMIUM SHARING PROGRAM.
39 THE ADMINISTRATION SHALL SUBMIT THE REPORT TO THE GOVERNOR, THE PRESIDENT OF
40 THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. THE DIRECTOR
41 SHALL PROVIDE A COPY OF EACH REPORT TO THE SECRETARY OF STATE, THE DIRECTOR
42 OF THE ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS AND THE DIRECTOR
43 OF THE LEGISLATIVE COUNCIL.

1 B. THE LEGISLATIVE COUNCIL SHALL SUBMIT A REPORT SEMIANNUALLY TO THE
2 PREMIUM SHARING PROGRAM OVERSIGHT COMMITTEE. THE REPORT SHALL CONTAIN THE
3 FOLLOWING INFORMATION REGARDING THE PROGRAM:

- 4 1. AN ANALYSIS OF CLIENT SATISFACTION.
- 5 2. PROGRAM ENROLLMENT INFORMATION.
- 6 3. THE AVERAGE ANNUAL INCOME OF THE ENROLLEE.
- 7 4. THE ANNUAL MEDICAL SERVICE EXPENDITURE.
- 8 5. THE TOTAL MONIES COLLECTED FROM ENROLLEES.
- 9 6. INFORMATION NECESSARY TO ANALYZE AND EVALUATE THE PROJECT'S
10 EFFECTIVENESS OR IMPACT.
- 11 7. A REVIEW OF THE ACTUAL MEDICAL COSTS INCURRED AND THE PREMIUMS
12 CHARGED.

13 36-2928. Services to persons with disabilities; eligibility;
14 premiums

15 A. SUBJECT TO THE APPROVAL OF THE HEALTH CARE FINANCING
16 ADMINISTRATION, BEGINNING ON JANUARY 1, 2002, THE ARIZONA HEALTH CARE COST
17 CONTAINMENT SYSTEM ADMINISTRATION SHALL PROVIDE SERVICES PURSUANT TO THIS
18 ARTICLE TO ANY PERSON WITH A DISABILITY WHO IS DEFINED AS ELIGIBLE PURSUANT
19 TO SECTION 36-2901, PARAGRAPH 4, SUBDIVISION (k) AND WHO MEETS THE INCOME
20 REQUIREMENTS OF SUBSECTION B OF THIS SECTION.

21 B. A PERSON MEETS THE INCOME REQUIREMENTS OF THIS SECTION IF THE
22 PERSON'S ADJUSTED INCOME DOES NOT EXCEED TWO HUNDRED FIFTY PER CENT OF THE
23 FEDERAL POVERTY GUIDELINES AS PUBLISHED BY THE UNITED STATES DEPARTMENT OF
24 HEALTH AND HUMAN SERVICES. THE ADMINISTRATION SHALL NOT INCLUDE A PERSON'S
25 UNEARNED INCOME AND THE EARNED AND UNEARNED INCOME OF THE PERSON'S SPOUSE OR
26 OTHER FAMILY MEMBERS TO DETERMINE IF THE PERSON IS ELIGIBLE FOR SERVICES
27 PURSUANT TO THIS SECTION. FOR THE PURPOSES OF THIS SUBSECTION, "ADJUSTED
28 INCOME" MEANS THE INCOME THAT IS CALCULATED BY SUBTRACTING FROM THE PERSON'S
29 GROSS EARNED INCOME IMPAIRMENT RELATED WORK EXPENSES AS DEFINED IN 42 UNITED
30 STATES CODE SECTION 423(d)(4).

31 C. THE ADMINISTRATION SHALL ADOPT RULES FOR THE COLLECTION OF PREMIUMS
32 FROM PERSONS WHO QUALIFY FOR SERVICES PURSUANT TO THIS SECTION. THE PREMIUM
33 MAY NOT EXCEED TWO PER CENT OF THE PERSON'S ADJUSTED INCOME.

34 D. THE ADMINISTRATION SHALL DEVELOP AND IMPLEMENT A PROCESS FOR
35 ELIGIBILITY DETERMINATIONS FOR PERSONS WHO APPLY FOR ELIGIBILITY AND ANNUAL
36 REDETERMINATIONS FOR CONTINUED ELIGIBILITY. THE ADMINISTRATION SHALL ALSO
37 DEVELOP AND IMPLEMENT A PROCESS TO DETERMINE MEDICALLY IMPROVED DISABILITIES.
38 THE ADMINISTRATION MAY ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE
39 DEPARTMENT OF ECONOMIC SECURITY, A COUNTY OR COUNTIES OR MAY CONTRACT WITH
40 PARTICIPATING HEALTH PLANS TO CONDUCT ELIGIBILITY DETERMINATIONS OR
41 REDETERMINATIONS. THE ADMINISTRATION MAY NOT USE A RESOURCE TEST TO
42 DETERMINE OR REDETERMINE ELIGIBILITY.

43 Sec. 7. Section 36-2931, Arizona Revised Statutes, is amended to read:
44 36-2931. Definitions

45 In this article, unless the context otherwise requires:

1 1. "Administration" means the Arizona health care cost containment
2 system administration.

3 2. "Capitation rate" means a mode of payment which the program
4 contractor receives for the delivery of services to members pursuant to this
5 article and which is based on a fixed rate per person notwithstanding the
6 amount of services provided to a member.

7 3. "Department" means the department of economic security.

8 4. "Director" means the director of the Arizona health care cost
9 containment system administration.

10 5. "Eligible person" means a person who:

11 (a) Is a resident of this state and a United States citizen or a
12 person who meets the requirements for qualified alien status as determined
13 pursuant to section 36-2903.03, who entered the United States on or before
14 August 21, 1996 or who entered the United States on or after August 22, 1996
15 and who is a member of an exception group UNDER PUBLIC LAW 104-193,
16 SECTION 412.

17 (b) Meets the eligibility criteria pursuant to section 36-2934.

18 (c) Needs institutional services as determined pursuant to section
19 36-2936.

20 (d) IS DEFINED AS ELIGIBLE PURSUANT TO SECTION 1902(a)(10)(A)(ii)(XV)
21 AND (XVI) OF TITLE XIX OF THE SOCIAL SECURITY ACT AND WHO MEETS THE INCOME
22 REQUIREMENTS OF SECTION 36-2950.

23 6. "Home and community based services" means services described in
24 section 36-2939, subsection B, paragraph 2 and subsection C.

25 7. "Institutional services" means services described in section
26 36-2939, subsection A, paragraph 1 and subsection B, paragraph 1.

27 8. "Member" means an eligible person who is enrolled in the system.

28 9. "Noncontracting provider" means a person who provides services as
29 prescribed by section 36-2939 and who does not have a subcontract with a
30 program contractor.

31 10. "Program contractor" means the department or any other entity that
32 contracts with the administration pursuant to section 36-2940 or 36-2944 to
33 provide services to members pursuant to this article.

34 11. "Provider" means a person who subcontracts with a program
35 contractor for the delivery of services to members pursuant to this article.

36 12. "State plan" means a written agreement between the health care
37 financing administration and the ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
38 administration that describes eligibility, covered services and the
39 requirements for participation in the medicaid program except those
40 requirements that are waived pursuant to the research and demonstration
41 waiver pursuant to section 1115 of the social security act.

42 13. "System" means the Arizona long-term care system.

43 14. "Uniform accounting system" means a standard method of collecting,
44 recording and safeguarding Arizona long-term care system data.

1 REQUIRE, AND THE ADMINISTRATION'S CONTRACTED PROVIDERS SHALL PROVIDE,
2 FINANCIAL DATA TO THE ADMINISTRATION IN THE FORMAT PRESCRIBED BY THE
3 ADMINISTRATION TO ASSIST IN THE STUDY. A COMPLETE STUDY OF REIMBURSEMENT
4 RATES SHALL BE COMPLETED NO LESS THAN ONCE EVERY FIVE YEARS.

5 C. STARTING ON OCTOBER 1, 2002, THE DEPARTMENT AND THE ADMINISTRATION
6 SHALL PROVIDE EACH OF THEIR REPORTS TO THE JOINT LEGISLATIVE BUDGET COMMITTEE
7 AND THE ADMINISTRATION BY OCTOBER 1 OF EACH YEAR.

8 D. THE DEPARTMENT SHALL INCLUDE THE RESULTS OF THE STUDY IN ITS YEARLY
9 CAPITATION RATE REQUEST TO THE ADMINISTRATION.

10 E. IF RESULTS OF THE STUDY ARE NOT COMPLETELY INCORPORATED INTO THE
11 CAPITATION RATE, THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
12 ADMINISTRATION SHALL PROVIDE A REPORT TO THE JOINT LEGISLATIVE BUDGET
13 COMMITTEE WITHIN THIRTY DAYS OF SETTING THE FINAL CAPITATION RATE DISCUSSING
14 REASONS FOR DIFFERENCES BETWEEN THE RATE AND THE STUDY.

15 Sec. 9. Section 36-2982, Arizona Revised Statutes, is amended to read:

16 36-2982. Children's health insurance program; administration;
17 nonentitlement; enrollment limitation; eligibility

18 A. The children's health insurance program is established for children
19 who are eligible pursuant to section 36-2981, paragraph 6. The
20 administration shall administer the program. All covered services shall be
21 provided by health plans that have contracts with the administration pursuant
22 to section 36-2906, by a qualifying plan or by either tribal facilities or
23 the Indian health service for Native Americans who are eligible for the
24 program and who elect to receive services through the Indian health service
25 or a tribal facility.

26 B. This article does not create a legal entitlement for any applicant
27 or member who is eligible for the program. Total enrollment is limited based
28 on the annual appropriations made by the legislature and the enrollment cap
29 prescribed in section 36-2985.

30 C. ~~Beginning on October 1, 1997,~~ The director shall take all steps
31 necessary to implement the administrative structure for the program and to
32 begin delivering services to persons within sixty days after approval of the
33 state plan by the United States department of health and human services.

34 D. The administration shall perform eligibility determinations for
35 persons applying for eligibility and annual redeterminations for continued
36 eligibility pursuant to this article.

37 E. The administration shall adopt rules for the collection of
38 copayments from members whose income does not exceed one hundred fifty per
39 cent of the federal poverty level and for the collection of copayments and
40 premiums from members whose income exceeds one hundred fifty per cent of the
41 federal poverty level. The director shall adopt rules for disenrolling a
42 member if the member does not pay the premium required pursuant to this
43 section.

44 F. Before enrollment, a member, or if the member is a minor, that
45 member's parent or legal guardian, shall select an available health plan in

1 the member's geographic service area or a qualifying health plan offered in
2 the county, and may select a primary care physician or primary care
3 practitioner from among the available physicians and practitioners
4 participating with the contractor in which the member is enrolled. The
5 contractors shall only reimburse costs of services or related services
6 provided by or under referral from a primary care physician or primary care
7 practitioner participating in the contract in which the member is enrolled,
8 except for emergency services that shall be reimbursed pursuant to section
9 36-2987. The director shall establish requirements as to the minimum time
10 period that a member is assigned to specific contractors. An eligible child,
11 or that child's parent or guardian, may elect to receive direct, sliding fee
12 scale medical and health care services from qualifying health centers
13 pursuant to section 36-2907.06, subsection G, and from hospitals pursuant to
14 section 36-2907.08. An eligible child, or that child's parent or guardian,
15 who elects direct services shall not be enrolled with a qualifying plan
16 unless the child, or that child's parent or guardian, elects to receive
17 services pursuant to this article.

18 G. Eligibility for the program shall ~~be counted as~~ IS creditable
19 coverage as defined in section 20-1379.

20 H. On application for eligibility for the program, the member, or if
21 the member is a minor, the member's parent or guardian, shall receive an
22 application for and a program description of the premium sharing
23 ~~demonstration project if the member resides in a county chosen to participate~~
24 ~~in that project~~ PROGRAM.

25 I. Notwithstanding section 36-2983, the administration may purchase
26 for a member employer sponsored group health insurance with state and federal
27 monies available pursuant to this article, subject to any restrictions
28 imposed by the federal health care financing administration. This subsection
29 does not apply to members who are eligible for health benefits coverage under
30 a state health benefits plan based on a family member's employment with a
31 public agency in this state.

32 Sec. 10. Section 36-3403, Arizona Revised Statutes, is amended to
33 read:

34 36-3403. Powers and duties of the deputy director

35 A. The deputy director may, on approval of the director:

36 1. Employ professional, secretarial and clerical staff as are
37 determined necessary by the director to carry out the functions and duties
38 of the division, subject to legislative appropriation.

39 2. Contract for the services of consultants and other persons which
40 are reasonably necessary to enable the division to carry out its functions
41 and duties, subject to legislative appropriation.

42 3. Contract and incur obligations which are reasonably necessary
43 within the general scope of the division.

44 4. Adopt rules which are necessary to carry out the requirements of
45 the division.

1 5. Contract or enter into intergovernmental agreements with other
2 public and private nonprofit agencies and entities.

3 6. Use monies, facilities or services to provide matching
4 contributions under federal or other programs which further the objectives
5 and programs of the division.

6 7. Accept gifts, grants, matching monies or direct payments from
7 public or private agencies or private persons and enterprises for the conduct
8 of programs which are consistent with the general purposes and objectives of
9 the division.

10 8. Lease at fair market value real property currently occupied by the
11 southern Arizona mental health center for the purposes of operating
12 a private nonprofit behavioral health care facility. Monies collected from
13 the lease of the real property shall be deposited into the building renewal
14 fund established pursuant to section 36-545.09.

15 B. The deputy director shall administer:

16 1. Unified mental health programs, to include the functions of the
17 state hospital and community mental health.

18 2. Addictive behavior programs to include alcohol and drug abuse.

19 C. Notwithstanding any other law the deputy director may waive or
20 reduce the requirements for local match.

21 D. The superintendent of the Arizona state hospital shall be appointed
22 by the deputy director, subject to the approval of the director, and shall
23 report directly to the deputy director.

24 E. THE DEPARTMENT SHALL CONTRACT WITH AN INDEPENDENT CONSULTING FIRM
25 FOR AN ANNUAL STUDY OF THE ADEQUACY AND APPROPRIATENESS OF TITLE XIX
26 REIMBURSEMENT RATES TO PROVIDERS OF BEHAVIORAL HEALTH SERVICES. THE
27 DEPARTMENT MAY REQUIRE, AND THE DEPARTMENT'S CONTRACTED PROVIDERS SHALL
28 PROVIDE, FINANCIAL DATA TO THE DEPARTMENT IN THE FORMAT PRESCRIBED BY THE
29 DEPARTMENT TO ASSIST IN THE STUDY. A COMPLETE STUDY OF REIMBURSEMENT RATES
30 SHALL BE COMPLETED NO LESS THAN ONCE EVERY FIVE YEARS. THE DEPARTMENT SHALL
31 PROVIDE THE REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE ARIZONA
32 HEALTH CARE COST CONTAINMENT SYSTEM BY OCTOBER 1, 2002, AND EACH YEAR
33 THEREAFTER. THE DEPARTMENT SHALL INCLUDE THE RESULTS OF THE STUDY IN ITS
34 YEARLY CAPITATION REQUEST TO THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM.
35 IF RESULTS OF THE STUDY ARE NOT COMPLETELY INCORPORATED INTO THE CAPITATION
36 RATE, THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION SHALL
37 PROVIDE A REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE WITHIN THIRTY DAYS
38 OF SETTING THE FINAL CAPITATION RATE DISCUSSING REASONS FOR DIFFERENCES
39 BETWEEN THE RATE AND THE STUDY.

40 Sec. 11. Laws 2001, chapter 236, section 7 is amended to read:

41 Sec. 7. ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

	<u>2001-02</u>	<u>2002-03</u>
42		
43	<u>Administration</u>	
44	FTE positions	2,478.8 2,491.8
45	Operating lump sum appropriation	\$ 67,419,300 \$ 68,430,700

1	DOA data center charges	5,534,100	5,717,500
2	Indian advisory council	222,900	222,900
3	DES eligibility	44,529,000	44,537,500
4	DES Title XIX pass-through	301,900	302,000
5	DHS Title XIX pass-through	1,681,000	1,662,400
6	Healthcare group administration	1,300,500	1,300,600
7	Office of administrative hearings	174,200	174,200
8	CHIP - administration	8,623,900	9,001,800
9	CHIP - services	62,131,200	78,292,200
10	Finger imaging	<u>950,000</u>	<u>950,000</u>
11	Total expenditure authority -		
12	administration	\$192,868,000	\$210,591,800
13	Performance measures:		
14	Cost avoidance from fraud and abuse		
15	prevention program	\$ 7,000,000	\$ 7,000,000
16	Per cent of enrollees filing a grievance	0.4	0.4
17	Per cent of eligibility accuracy as		
18	measured by quality control sample	97	97
19	Per cent of AHCCCS employee turnover	11.5	11.5
20	Administration as a per cent of total cost	4.4	4.4
21	Customer satisfaction rating for eligibility		
22	determination clients (Scale 1-8)	6.0	6.0
23	Of the \$192,868,000 expenditure authority for administration in fiscal		
24	year 2001-2002, \$57,593,700 is appropriated from the state general fund,		
25	\$1,300,500 is appropriated from the donations fund and \$70,755,100 is		
26	appropriated from the children's health insurance program fund. Of the		
27	\$210,591,800 expenditure authority for administration in fiscal year		
28	2002-2003, \$57,636,000 is appropriated from the state general fund,		
29	\$1,300,600 is appropriated from the donations fund and \$87,294,000 is		
30	appropriated from the children's health insurance program fund.		
31	It is the intent of the legislature that the appropriation for the		
32	department of administration data center charges be used only for the payment		
33	of charges incurred by the department for the use of computing services		
34	provided by the department of administration data center.		
35	The amounts appropriated for the department of economic security		
36	eligibility special line item shall be used for intergovernmental agreements		
37	with the department of economic security for the purpose of eligibility		
38	determination and other functions. The general fund share may be used for		
39	eligibility determination for other programs administered by the division of		
40	benefits and medical eligibility based on the results of the Arizona random		
41	moment sampling survey.		
42	The amounts appropriated for the department of health services title		
43	XIX pass-through special line item shall be used for intergovernmental		
44	agreements with the department of health services for the purpose of		

1 medicaid-related licensure, certification and registration, and other
 2 functions.

3 The Arizona health care cost containment system administration shall
 4 report by January 1 of each year on the agency's use of the cost savings that
 5 results from entering into an agreement with another state as outlined in
 6 Laws 1999, chapter 313, section 27. The report shall also include detail on
 7 the source of all revenues and expenditure of monies from the
 8 intergovernmental service fund.

9 Before the expenditure of any monies for the Arizona health care cost
 10 containment system administration customer eligibility system, the Arizona
 11 health care cost containment system administration shall submit a report to
 12 the joint legislative budget committee for its review. The report shall
 13 discuss how the automation improvements are compatible with the no wrong door
 14 initiative.

15 If federal matching monies are received for the finger imaging
 16 enrollment program, the Arizona health care cost containment system shall
 17 revert the portion of the state general fund appropriation received equal to
 18 the federal dollars received for this program in the year that the federal
 19 monies are received.

20 The Arizona health care cost containment system shall report by
 21 September 30 of each year to the joint legislative budget committee on the
 22 services that receive reimbursement from the federal government under the
 23 medicaid in public school initiative. The report shall include information
 24 on the type of services, how those services meet the definition of medical
 25 necessity, and the total amount of federal dollars that the schools have
 26 received under the medicaid in public school initiative.

27 THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION IS
 28 EXEMPT FROM THE RULE MAKING REQUIREMENTS OF TITLE 41, CHAPTER 6, ARIZONA
 29 REVISED STATUTES, FOR THE PURPOSES OF IMPLEMENTING THE FINGER IMAGING
 30 ENROLLMENT PROGRAM ESTABLISHED PURSUANT TO LAWS 2000, CHAPTER 378. IT IS THE
 31 INTENT OF THE LEGISLATURE THAT THE ADMINISTRATION SHALL HOLD HEARINGS TO GIVE
 32 THE PUBLIC AN OPPORTUNITY TO COMMENT ON THE PROPOSED RULES. THE
 33 ADMINISTRATION SHALL HOLD AT LEAST ONE OF THESE HEARINGS IN A COUNTY WITH A
 34 POPULATION OF LESS THAN FIVE HUNDRED THOUSAND PERSONS ACCORDING TO THE MOST
 35 RECENT UNITED STATES DECENNIAL CENSUS.

36	<u>Acute care</u>		
37	Capitation	\$1,077,731,200	\$1,175,442,800
38	Fee for service	311,501,600	342,685,100
39	Reinsurance	68,420,800	72,584,100
40	Medicare premiums	33,454,100	37,294,000
41	Graduate medical education	<u>21,683,200</u>	<u>22,528,100</u>
42	Total expenditure authority -		
43	acute care	\$1,652,962,700	\$1,790,705,900

1	Performance measures:		
2	Per cent of two year old children enrolled		
3	in AHCCCS who have received age		
4	appropriate immunizations	83	83
5	Per cent of well child visits in the first		
6	15 months of life (EPSDT)	75	75
7	Per cent of children's access to primary		
8	care provider	83	83
9	Per cent of women receiving annual cervical		
10	screening	46	46
11	Member satisfaction as measured by		
12	percentage of enrollees that choose		
13	to change health plans	4.0	4.0

14 Of the \$1,652,962,700 expenditure authority for acute care in fiscal
 15 year 2001-2002, \$522,694,700 is appropriated from the state general fund. Of
 16 the \$1,790,705,900 expenditure authority for acute care in fiscal year
 17 2002-2003, \$564,813,200 is appropriated from the state general fund.

18 Before making fee-for-service program or rate changes that pertain to
 19 hospital, nursing facility or home and community based services rates or for
 20 any of the other fee-for-service rate categories that have increases that,
 21 in the aggregate, are two per cent above and \$1,500,000 from the state
 22 general fund greater than budgeted medical inflation in fiscal year 2001-2002
 23 and fiscal year 2002-2003, the Arizona health care cost containment system
 24 administration shall report its plan to the joint legislative budget
 25 committee for review.

26 Before implementation of capitation rate changes that have a budgetary
 27 impact, the Arizona health care cost containment system administration shall
 28 report its plan to the joint legislative budget committee for review.

29	<u>Long-term care</u>		
30	Program lump sum appropriation	\$632,968,900	\$694,667,900
31	Board of nursing	<u>209,700</u>	<u>209,700</u>
32	Total expenditure authority -		
33	long-term care	\$633,178,600	\$694,877,600

34	Performance measures:		
35	Per cent of nursing facility residents that		
36	receive influenza immunization	85	85
37	Per cent of members utilizing home and		
38	community based services (HCBS)	49	49
39	Per cent of ALTCS applications processed on		
40	time (within 45 days)	90	90
41	Per cent of financial redeterminations		
42	processed on time (within 12 months)	90	90

43 Any federal funds that the Arizona health care cost containment system
 44 administration passes through to the department of economic security for use

1 in long-term administration care for the developmentally disabled shall not
2 count against the long-term care expenditure authority above.

3 Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the
4 fiscal year 2001-2002 nonfederal portion of the costs of providing long-term
5 care system services is \$217,077,800. The state contribution is \$48,318,100
6 and the county contribution is \$168,759,700. The fiscal year 2002-2003
7 nonfederal portion of the costs of providing long-term care services is
8 \$237,434,300. The state contribution is \$58,554,700 and the county
9 contribution is \$178,879,600.

10 Before making fee-for-service program or rate changes that pertain to
11 hospital, nursing facility or home and community based services rates or for
12 any of the other fee-for-service rate categories that have increases that,
13 in the aggregate, are two per cent above and \$1,500,000 from the state
14 general fund greater than budgeted medical inflation in fiscal year 2001-2002
15 and fiscal year 2002-2003, the Arizona health care cost containment system
16 administration shall report its plan to the joint legislative budget
17 committee for review.

18 Before implementation of capitation rate changes that have a budgetary
19 impact, the Arizona health care cost containment system administration shall
20 report its plan to the joint legislative budget committee for review.

21 The administration shall provide the joint legislative budget committee
22 staff an implementation plan for the provider rate adjustment by September
23 1, 2001.

24 It is the intent of the legislature that the agency distribute one
25 hundred per cent of the increase intended for providers to contracted
26 community treatment providers.

27 It is the intent of the legislature that the provider rate increase be
28 incorporated into contracted rates. Since this increase in the contracted
29 rate would not be competitively procured, the adjustment in this section is
30 exempt from the provisions of Arizona Revised Statutes, title 41, chapter 23,
31 related to procurement.

32 ~~It is the intent of the legislature that the agency allocate funds in~~
33 ~~this section as a flat percentage increase across the total dollar value of~~
34 ~~all contracts in eligible categories.~~

35 ~~It is the intent of the legislature that monies for the adjustment~~
36 ~~effective as of October 1, 2001 be allocated only to providers with contracts~~
37 ~~for eligible services in effect as of October 1, 2001.~~

38 IT IS THE INTENT OF THE LEGISLATURE THAT THE ADJUSTMENT BE DIRECTED
39 TOWARD RAISING RATES PAID TO PROVIDERS RECEIVING LESS THAN OTHER PROVIDERS
40 PROVIDING SIMILAR LEVELS OF SERVICE FOR THE SAME SERVICE TYPES, IF
41 APPLICABLE.

42 It is the intent of the legislature that independent providers are
43 eligible for these increases.

44 It is the intent of the legislature that community treatment providers
45 allocate the adjustments for salary increases to direct care staff who

1 provide direct care services for more than eighty per cent of their time
 2 weekly and who earn less than thirteen dollars per hour.

3 It is the intent of the legislature that these funds be spent for
 4 ongoing pay adjustments and salary-related employee related expenses such as
 5 workers' compensation, unemployment insurance, and FICA.

6 Each contract provider receiving a rate adjustment shall report to the
 7 agency by June 1, 2002 on how the adjustment was used. The Arizona health
 8 care cost containment system shall summarize this information and report it
 9 to the joint legislative budget committee by July 1, 2002.

10	Total expenditure authority	\$ 2,479,009,300	\$ 2,696,175,300
11	Less tobacco tax medically needy		
12	account withdrawals	(36,856,900)	(37,329,100)
13	Less collections, other receipts		
14	and balances forward	<u>(1,741,490,300)</u>	<u>(1,889,247,700)</u>
15	Total appropriation - Arizona health care		
16	cost containment system	\$ 700,662,100	\$ 769,598,500
17	Fund sources:		
18	State general fund	\$ 628,606,500	\$ 681,003,900
19	Other appropriated funds	72,055,600	88,594,600
20	Performance measures:		
21	Per cent of people under age 65 that are		
22	uninsured	24	24
23	Per cent of children (under 18 years)		
24	that are uninsured	22	22
25	AHCCCS enrollment	583,364	622,705
26	Children's health insurance program		
27	(CHIP) enrollment	45,627	54,558
28	Premium sharing enrollment	7,000	7,000
29	Sec. 12. Laws 2001, chapter 236, section 109 is amended to read:		
30	Sec. 109. <u>Appropriation; salary and operating adjustments</u>		
31		<u>2001-02</u>	<u>2002-03</u>
32	Salary adjustments	\$ 29,253,100	\$145,226,500
33	Fund sources:		
34	State general fund	\$ 24,223,100	\$119,816,500
35	Other appropriated funds	5,030,000	25,410,000
36	Classification maintenance review		
37	annualization adjustments	\$ 8,188,800	\$ 8,188,800
38	Fund sources:		
39	State general fund	\$ 4,497,400	\$ 4,497,400
40	Other appropriated funds	\$ 3,691,400	\$ 3,691,400
41	Community treatment program provider rate		
42	adjustments		<u>\$ 22,578,400</u>

1	Fund sources:		
2	State general fund		\$ 20,578,400
3	Federal temporary assistance for		
4	needy families block grant		\$ 2,000,000
5	Attorney general salary adjustments		
6	Fund sources:		
7	Other appropriated funds	\$ 268,900	\$ 268,900
8	Pro rata share contribution adjustments	\$ 765,800	\$ 1,385,400
9	Fund sources:		
10	State general fund	\$ 663,200	\$ 1,201,700
11	Other appropriated funds	\$ 102,600	\$ 183,700
12	State-owned space rental adjustments	\$ 1,173,600	\$ 1,574,200
13	Fund sources:		
14	State general fund	\$ 912,800	\$ 1,224,400
15	Other appropriated funds	\$ 260,800	\$ 349,800
16	State employee health insurance adjustments	\$ 24,535,800	\$ 54,943,400
17	Fund sources:		
18	State general fund	\$ 20,338,900	\$ 45,545,200
19	Other appropriated funds	\$ 4,196,900	\$ 9,398,200
20	The other appropriated funds may be allocated from the following funds:		
21	board of accountancy fund, acupuncture board of examiners fund, office of		
22	administrative hearings fund, air permits administration fund, air quality		
23	fund, antitrust enforcement revolving fund, board of appraisal fund, Arizona		
24	arts trust fund, Arizona health care cost containment system donations fund,		
25	automated fingerprint identification fund, auto theft authority fund, state		
26	aviation fund, board of barbers fund, board of behavioral health examiners		
27	fund, bond fund, capital outlay stabilization fund, child abuse prevention		
28	fund, child fatality review team fund, child support enforcement		
29	administration fund, children's health insurance program fund, board of		
30	chiropractic examiners fund, citrus, fruit and vegetable revolving fund,		
31	collection enforcement revolving fund, commerce and economic development		
32	commission fund, commercial feed fund, community college certification fund,		
33	confidential intermediary and private fiduciary fund, consulting and		
34	training fund, consumer fraud revolving fund, cooperative forestry fund,		
35	corrections fund, board of cosmetology fund, crime laboratory assessment		
36	fund, criminal justice enhancement fund, county fair racing fund, court		
37	appointed special advocate fund, defensive driving fund, dental board fund,		
38	Arizona deoxyribonucleic acid identification fund, board of dispensing		
39	opticians fund, drug and gang prevention resource center fund, state		
40	education fund for committed youth, state education fund for correctional		
41	education, egg inspection fund, emergency medical services operating fund,		
42	emissions inspection fund, environmental laboratory licensure fund,		
43	environmental special plate fund, estate and unclaimed property fund, Arizona		
44	exposition and state fair fund, federal child care and development fund block		
45	grant, federal surplus materials revolving fund, federal temporary assistance		

1 for needy families block grant, fertilizer materials fund, board of
2 fingerprinting fund, board of funeral directors and embalmers fund, game and
3 fish fund, game, nongame, fish and endangered species fund, hazardous waste
4 fund, state highway fund, Arizona highway patrol fund, highway user revenue
5 fund, board of homeopathic medical examiners fund, housing trust fund, DHS
6 indirect cost fund, ADEQ indirect cost recovery fund, industrial commission
7 administrative fund, information technology fund, interagency service
8 agreements fund, intergovernmental agreements and grants, investment
9 management regulatory and enforcement fund, judicial collection enhancement
10 fund, lease-purchase building operating and maintenance fund, liability
11 set-off fund, long term care system fund, long-term disability administration
12 account, state lottery fund, board of medical examiners fund, the miners'
13 hospital for disabled miners land fund, motor vehicle liability insurance
14 enforcement fund, motor vehicle pool revolving fund, naturopathic physicians
15 board of medical examiners fund, newborn screening program fund, board of
16 nursing fund, nursing care institution administrators' licensing and assisted
17 living facility managers' certification fund, occupational therapy fund, oil
18 overcharge fund, board of optometry fund, board of osteopathic examiners
19 fund, state parks enhancement fund, personnel division fund, pesticide fund,
20 board of pharmacy fund, board of physical therapy fund, podiatry fund,
21 postsecondary education fund, board for private postsecondary education fund,
22 Arizona protected native plant fund, board of psychologist examiners fund,
23 public access fund, public assistance collections fund, racing administration
24 fund, state radiologic technologist certification fund, records services
25 fund, recycling fund, registrar of contractors fund, reservation surcharge
26 revolving fund, residential utility consumer office revolving fund, board of
27 respiratory care examiners fund, state retirement system administration
28 account, risk management revolving fund, safety enforcement and
29 transportation infrastructure fund, securities regulatory and enforcement
30 fund, seed law fund, solid waste fee fund, special administration fund,
31 special employee health insurance trust fund, special services revolving
32 fund, spinal and head injuries trust fund, state aid to the courts fund,
33 Arizona state hospital fund, state surplus materials revolving fund,
34 structural pest control commission fund, substance abuse services fund,
35 teacher certification fund, technical registration fund, technology and
36 telecommunication fund, telecommunication fund for the deaf, tobacco tax and
37 health care fund, transportation department equipment fund, tribal state
38 compact fund, used oil fund, utility regulation revolving fund, vehicle
39 inspection and title enforcement fund, state veterans' conservatorship fund,
40 state home for veterans' trust fund, veterinary medical examining board fund,
41 victims' rights fund, watercraft licensing fund, water quality fee fund, and
42 workforce investment act grant.

43 Salary adjustments

44 The salary adjustments include personal services and employee related
45 expenditures for state officers and employees in accordance with the

1 department's or agency's compensation plan, except as otherwise provided by
2 this act.

3 For fiscal year 2001-2002, the joint legislative budget committee staff
4 shall determine and the department of administration shall allocate to each
5 agency or department an amount sufficient to increase the annual salary level
6 of each employee by the greater of \$1,500 or five per cent, effective April
7 1, 2002. The \$1,500 minimum shall apply to less than full-time employees on
8 a prorated basis.

9 For fiscal year 2002-2003, the joint legislative budget committee staff
10 shall determine and the department of administration shall allocate to each
11 agency or department an amount sufficient to increase the annual salary level
12 of each employee by the greater of \$1,500 or five per cent above the fiscal
13 year 2001-2002 personal services base effective April 1, 2003. The \$1,500
14 minimum shall apply to less than full-time employees on a prorated basis.

15 For fiscal year 2002-2003, the joint legislative budget committee staff
16 shall determine and the department of administration shall allocate to each
17 agency or department an amount to annualize the salary adjustments for fiscal
18 year 2001-2002.

19 The joint legislative budget committee staff shall also determine and
20 the department of administration shall allocate adjustments, as necessary,
21 in total expenditure authority to allow implementation of salary adjustments
22 of appropriate amounts.

23 Correctional officers who are eligible for the correctional officer pay
24 plan within the state department of corrections, youth correctional officers
25 who are eligible for the youth correctional officer pay plan within the
26 department of juvenile corrections, employees of the Arizona state schools
27 for the deaf and blind, board and commission members who are paid on a per
28 diem basis, agency heads and who are appointed for a fixed term of office,
29 and employees that are otherwise noted in this act are not eligible for the
30 five per cent or \$1,500 general salary adjustments.

31 For fiscal year 2001-2002, each correctional officer shall receive a
32 salary adjustment in their annual salary level of \$2,500 for the period April
33 1, 2002 through June 30, 2002.

34 For fiscal year 2002-2003, each correctional office shall receive a
35 salary adjustment in their annual salary level of \$1,500 for the period April
36 1, 2003 through June 30, 2003. The pay adjustment includes an amount
37 sufficient to annualize the salary adjustments for fiscal year 2001-2002.

38 For fiscal year 2001-2002, each youth correctional officer shall
39 receive a salary adjustment in their annual salary level of \$2,500 for the
40 period April 1, 2002 through June 30, 2002.

41 For fiscal year 2002-2003, each youth correctional officer shall
42 receive a salary adjustment in their annual salary level of \$1,500 for the
43 period April 1, 2003 through June 30, 2003. The pay adjustment includes an
44 amount sufficient to annualize the salary adjustments for fiscal year
45 2001-2002.

1 Classification maintenance review annualization adjustments

2 The amounts appropriated for classification maintenance review
3 annualization adjustments shall be for positions that received a
4 classification maintenance review adjustment in the Arizona department of
5 administration personnel system on January 1, 2001. The joint legislative
6 budget committee staff shall determine and the department of administration
7 shall allocate to each agency or department the appropriate amounts to
8 annualize the salary increases for these positions.

9 The joint legislative budget committee staff shall also determine and
10 the department of administration shall allocate adjustments, as necessary,
11 in total expenditure authority to allow implementation of classification
12 maintenance review annualization adjustments of appropriate amounts.

13 Community treatment program provider rate adjustments

14 For fiscal year 2002-2003, the joint legislative budget committee staff
15 shall determine and the department of administration shall allocate to the
16 department of economic security, the department of health services, the
17 department of juvenile corrections, and the superior court amounts sufficient
18 to increase contracted community treatment provider disbursements by AN
19 AVERAGE OF five per cent for the period BEGINNING ON JULY 1, 2002 AND BY AN
20 ADDITIONAL AVERAGE OF FIVE PER CENT BEGINNING ON April 1, 2003 through June
21 30, 2003, except that increases paid through the developmental disabilities
22 and long-term care system fund cost centers in the department of economic
23 security shall be effective BEGINNING ON January 1, 2003 through June 30
24 INSTEAD OF APRIL 1, 2003.

25 The joint legislative budget committee staff shall also determine and
26 the department of administration shall allocate adjustments, as necessary,
27 in total expenditure authority to allow implementation of community treatment
28 provider adjustments of appropriate amounts.

29 The joint legislative budget committee staff shall determine the
30 allocation of adjustments between agencies and within each agency and present
31 that allocation to the joint legislative budget committee for its review
32 prior to November JUNE 1, 2001 2002 and November 1, 2002.

33 Each agency receiving funds under this section shall provide joint
34 legislative budget committee staff an implementation plan for the adjustment
35 by September 1, 2001 JANUARY 1, 2002 and September OCTOBER 1, 2002.

36 It is the intent of the legislature that each agency or department
37 distribute one hundred per cent of the increase to contracted community
38 treatment providers.

39 It is the intent of the legislature that the adjustment in this section
40 be incorporated into current contracted rates AND, FOR THE DEPARTMENT OF
41 ECONOMIC SECURITY, TO REDUCE THE NUMBER OF CONTRACTED RATES BY ESTABLISHMENT
42 OF A RATE STRUCTURE THAT ENSURES AN EQUITABLE FUNDING BASIS PURSUANT TO THIS
43 SECTION. Since this increase in the contracted rate, OR THE REDUCTION IN THE
44 NUMBER OF CONTRACTED RATES IN THE DEPARTMENT OF ECONOMIC SECURITY would not
45 be competitively procured, the adjustment in this section is exempt from the

1 provisions of Arizona Revised Statutes, title 41, chapter 23, related to
2 procurement.

3 It is the intent of the legislature that if funds appropriated for the
4 adjustment or associated non-appropriated funds are insufficient for EITHER
5 OF the five per cent increase in either year AVERAGE INCREASES, agencies
6 shall ratably reduce the increase to match the appropriated level. Ratable
7 reductions are to be allocated evenly within each agency division. Agencies
8 shall report plans for ratable reductions in the ~~September~~ JANUARY 1, 2002
9 AND OCTOBER 1, 2002 reports required above.

10 ~~It is the intent of the legislature that agencies allocate funds in~~
11 ~~this section as a flat percentage increase across the total dollar value of~~
12 ~~all contracts in eligible categories.~~

13 IT IS THE INTENT OF THE LEGISLATURE THAT THE ADJUSTMENT IN THE
14 DEPARTMENT OF ECONOMIC SECURITY BE DIRECTED TOWARD RAISING RATES PAID TO
15 PROVIDERS RECEIVING LESS THAN OTHER PROVIDERS PROVIDING SIMILAR LEVELS OF
16 SERVICE FOR THE SAME SERVICE TYPES, IF APPLICABLE. IT IS THE INTENT OF THE
17 LEGISLATURE THAT, IN ADDITION, THE AGING AND COMMUNITY SERVICES, LONG-TERM
18 CARE AND DEVELOPMENTAL DISABILITIES COST CENTERS IN THE DEPARTMENT OF
19 ECONOMIC SECURITY USE THE ADJUSTMENT TO REDUCE THE NUMBER OF DIFFERENT
20 CONTRACT RATES EMPLOYED BY THE DEPARTMENT OF ECONOMIC SECURITY FOR EACH
21 SERVICE TYPE. AS PART OF ITS JANUARY 1, 2002 AND OCTOBER 1, 2002 REPORT, THE
22 DEPARTMENT SHALL INDICATE HOW IT PROPOSES TO IMPLEMENT THE CONSOLIDATION OF
23 RATES AND INCLUDE A DISCUSSION OF THE CRITERIA EMPLOYED IN DEVELOPING THE
24 PLAN.

25 IT IS THE INTENT OF THE LEGISLATURE THAT MONIES FOR THE ADJUSTMENT
26 EFFECTIVE AS OF JULY 1, 2002 BE ALLOCATED ONLY TO PROVIDERS WITH CONTRACTS
27 FOR ELIGIBLE SERVICES IN EFFECT AS OF JANUARY 1, 2002. It is the intent of
28 the legislature that monies for the adjustment effective as of January 1 or
29 April 1, 2003 be allocated only to providers with contracts for eligible
30 services in effect as of July 1, 2002.

31 It is the intent of the legislature that independent providers are
32 eligible for these increases.

33 It is the intent of the legislature that community treatment providers
34 allocate the adjustments for salary increases to direct care staff who
35 provide direct care services for more than eighty per cent of their time
36 weekly and who earn less than thirteen dollars per hour.

37 It is the intent of the legislature that these funds be spent only for
38 ongoing pay adjustments and salary-related employee related expenses such as
39 workers' compensation, unemployment insurance, and FICA.

40 Each contract provider receiving a rate adjustment under this section
41 shall report to agencies by ~~June 1, 2002~~ SEPTEMBER 1, 2002 and June 1, 2003
42 on how the adjustment was used. Each agency shall summarize this information
43 and report it to the joint legislative budget committee by ~~July 1~~ OCTOBER 1,
44 2002 and July 1, 2003.

1 Attorney general salary adjustments

2 The amounts appropriated for attorney general salary adjustments shall
3 be for salary increases of assistant attorney general positions that are
4 funded through contract agreements with other state agencies or departments.
5 On or before May 1, 2001, the attorney general's office shall report the
6 other appropriated funds allocation by agency to the joint legislative budget
7 committee staff. The department of administration shall allocate to each
8 agency or department as determined by the joint legislative budget committee
9 staff. The joint legislative budget committee staff shall also determine and
10 the department of administration shall allocate adjustments, as necessary,
11 in total expenditure authority to allow implementation of attorney general
12 salary adjustments.

13 Pro rata share contribution adjustments

14 The amounts appropriated for pro rata share contribution adjustments
15 shall be for increases in agency and department pro rata share contributions
16 to the personnel division fund. For fiscal year 2001-2002, the joint
17 legislative budget committee staff shall determine and the department of
18 administration shall allocate to each agency or department an amount
19 sufficient to increase the pro rata share contribution to 0.95 per cent of
20 the agency's or department's personal services base.

21 For fiscal year 2002-2003, the joint legislative budget committee staff
22 shall determine and the department of administration shall allocate to each
23 agency or department an amount sufficient to increase the pro rata share
24 contribution to 1.04 per cent of the agency's or department's personal
25 services base.

26 The joint legislative budget committee staff shall also determine and
27 the department of administration shall allocate adjustments, as necessary,
28 in total expenditure authority to allow implementation of pro rata share
29 contribution adjustments.

30 State-owned space rental adjustments

31 The amounts appropriated for state-owned space rental adjustments shall
32 be for increases in agency and department rental rates paid to the capital
33 outlay stabilization fund. For fiscal year 2001-2002, the joint legislative
34 budget committee staff shall determine and the department of administration
35 shall allocate to each agency or department an amount sufficient to increase
36 the square foot rental rates to \$15.00 for office space, and \$5.50 for
37 storage space.

38 For fiscal year 2002-2003, the joint legislative budget committee staff
39 shall determine and the department of administration shall allocate to each
40 agency or department an amount sufficient to increase the square foot rental
41 rates to \$15.50 for office space, and \$6.00 for storage space.

42 The joint legislative budget committee staff shall also determine and
43 the department of administration shall allocate adjustments, as necessary,
44 in total expenditure authority to allow implementation of state-owned space
45 rental adjustments.

1 Sec. 13. Enrollee copayments

2 Until the Arizona health care cost containment system administration
3 adopts rules to prescribe copayments as required by this act, each enrollee
4 in the premium sharing program shall pay:

5 1. Ten dollars for each physician visit.

6 2. Twenty-five dollars for each emergency room visit unless the person
7 is admitted to the hospital.

8 3. Fifty dollars for each inpatient stay.

9 4. Fifty dollars for each emergency room visit that is for a
10 nonemergency situation.

11 5. Three dollars for each prescription that is filled with a generic
12 drug and fifty per cent of the cost of each prescription that is filled with
13 a brand name pharmaceutical unless a generic drug is unavailable or not
14 medically appropriate, in which case the enrollee shall pay three dollars for
15 each prescription.

16 6. Eight dollars for each laboratory visit.

17 7. Eight dollars for each X-ray service.

18 8. Fifty dollars for each behavioral health admission to an inpatient
19 behavioral facility. Enrollees are eligible for a maximum of thirty days of
20 inpatient behavioral health services annually.

21 9. Ten dollars for individual outpatient behavioral health services.
22 Enrollees are eligible for a maximum of thirty outpatient behavioral health
23 visits annually.

24 10. Five dollars for group outpatient behavioral health services.

25 11. The full cost of any nonemergency transportation.

26 Sec. 14. Chronic disease; definition

27 Until the Arizona health care cost containment system administration
28 adopts rules to prescribe the definition of chronic disease as required by
29 this act, "chronic disease" means:

30 1. Alpha-1-Antitrypsin deficiency.

31 2. Amyotrophic lateral Sclerosis.

32 3. Cardiomyopathy.

33 4. Chronic liver disease.

34 5. Chronic pancreatitis.

35 6. Chronic Rheumatoid arthritis.

36 7. Congenital heart disease.

37 8. Cystic fibrosis.

38 9. Growth hormone deficiency.

39 10. Hematologic cancer.

40 11. Hemophilia.

41 12. History of any solid organ transplant.

42 13. Acquired immunodeficiency syndrome.

43 14. Human immunodeficiency virus.

44 15. Hodgkins disease.

45 16. Metastatic cancer.

- 1 17. Multiple sclerosis.
- 2 18. Muscular dystrophy.
- 3 19. Pulmonary hypertension.
- 4 20. Sickle cell disease.

5 Sec. 15. Transfer of fund monies

6 On the effective date of this act, all monies in the premium sharing
7 demonstration project fund are transferred to the premium sharing program
8 fund.

9 Sec. 16. Exemption from rule making

10 The Arizona health care cost containment system administration is
11 exempt from the rule making requirements of title 41, chapter 6, Arizona
12 Revised Statutes, for one year after the effective date of this act for the
13 purposes of implementing the premium sharing program pursuant to this act.
14 The administration shall report to the premium sharing oversight committee
15 and conduct at least two public hearings, including at least one in a county
16 with a population of less than five hundred thousand persons, before it
17 adopts exempted rules. The administration shall publish adopted rules
18 pursuant to title 41, chapter 6, Arizona Revised Statutes.

19 Sec. 17. Exemption from rule making

20 A. The Arizona health care cost containment system administration is
21 exempt from the rule making requirements of title 41, chapter 6, Arizona
22 Revised Statutes, for one year from the effective date of this act to
23 implement the expanded coverage to persons with disabilities.

24 B. The administration shall hold at least two public hearings to allow
25 the public an opportunity to comment on the proposed rules.

26 C. The administration shall publish rules adopted pursuant to this
27 section as required pursuant to title 41, chapter 6, article 2, Arizona
28 Revised Statutes.

29 Sec. 18. Waiver for family coverage

30 The Arizona health care cost containment system shall request approval
31 of an 1115 waiver from the health care financing administration to cover the
32 parents of children eligible for coverage under title XXI of the social
33 security act and title 36, chapter 29, article 4, Arizona Revised Statutes.
34 Eligibility for the parents shall be based on household income up to two
35 hundred per cent of the federal poverty guidelines as published annually by
36 the United States department of health and human services. If the waiver is
37 approved, the Arizona health care cost containment system shall withdraw
38 sufficient funds from the premium sharing program fund established pursuant
39 to section 36-2921, subsection A, paragraph 8, Arizona Revised Statutes, to
40 pay the state match for the parents enrolled in the title XXI program.

41 Sec. 19. Laws 1999, chapter 313, section 39 is amended to read:

42 Sec. 39. Appropriations; purpose; exemption

43 A. Notwithstanding any law to the contrary, the sum of \$8,000,000 is
44 appropriated from the medical services stabilization fund established by
45 section 36-2922, Arizona Revised Statutes, to the Arizona health care cost

1 containment system administration in fiscal year 1999-2000 to reimburse
2 healthcare group plans as approved by the administration through a
3 reconciliation of the healthcare group plans' audited financial statements.

4 B. Notwithstanding any law to the contrary, the sum of \$8,000,000 is
5 appropriated from the tobacco settlement fund to the Arizona health care cost
6 containment system administration beginning in fiscal year 2000-2001 and each
7 ~~fiscal year thereafter~~ to reimburse healthcare group plans as approved by the
8 administration through a reconciliation of the healthcare group plans'
9 audited financial statements.

10 C. For dates of service beginning from and after June 30, 1999, the
11 administration shall develop a methodology to make the appropriations
12 pursuant to this section available to the healthcare group health benefit
13 plans in order to limit financial risk of participation in the program. The
14 funding methodology shall utilize a reconciliation approach that will limit
15 operating losses of the participating health benefit plans, based on
16 independently audited data, up to the amount of the total appropriated monies
17 pursuant to this section. All audited data shall be subject to further
18 review by the administration for determination of accuracy and
19 appropriateness of reported expenditures and revenues. The administration
20 may make interim distributions, subject to recoupment, based on unaudited
21 data.

22 D. The appropriations made pursuant to this section are exempt from
23 the provisions of section 35-190, Arizona Revised Statutes, relating to
24 lapsing of appropriations to allow the healthcare group plans sufficient
25 time to submit the audited financial statements for an annual reconciliation
26 pursuant to subsections A and B of this section. Monies that remain
27 unexpended and unencumbered on December 31 of each year shall be used to
28 offset the amount of the appropriation for the next fiscal year.

29 Sec. 20. Repeal

30 A. Section 13 of this act, relating to the enrollee copayments, is
31 repealed from and after November 15, 2001.

32 B. Section 14 of this act, relating to the definition of chronic
33 disease, is repealed from and after November 15, 2001.

34 Sec. 21. Appropriations; purpose; approval; exemption; report

35 A. The sum of \$1,000,000 is appropriated from the state general fund
36 and the sum of \$591,000 is appropriated from the medically needy account
37 established by section 36-774, Arizona Revised Statutes to the Arizona health
38 care cost containment system administration for the purposes of expanding
39 coverage under the Arizona health care cost containment system and long-term
40 care system for persons with disabilities pursuant to this act as follows:

41 1. \$500,000 from the state general fund and \$91,000 from the medically
42 needy account in fiscal year 2001-2002.

43 2. \$500,000 from the state general fund and \$500,000 from the
44 medically needy account in fiscal year 2002-2003.

1 B. The state treasurer shall not release the appropriations made in
2 subsection A of this section until the administration has received the
3 approval of the federal health care financing administration.

4 C. The Arizona health care cost containment system shall submit a
5 report on or before December 31, 2002 to the president of the senate, the
6 speaker of the house of representatives and the chairs of the appropriations
7 committees in both the house of representatives and senate. The report shall
8 contain the following information regarding the services to persons with
9 disabilities as set forth by this act:

10 1. Program enrollment information.

11 2. The average annual income of the enrollee.

12 3. The medical service expenditure.

13 4. The total monies collected from enrollees.

14 5. A review of rules adopted by the Arizona health care cost
15 containment system to implement this act.

16 6. The number of new applicants with incomes over one hundred per cent
17 of the federal poverty guidelines as published by the United States
18 department of health and human services pursuant to this act.

19 Sec. 22. Appropriations; purpose

20 The sum of \$800,000 is appropriated from the state general fund and the
21 sum of \$900,000 is appropriated from federal medicaid matching monies for a
22 total of \$1,700,000 in each of the fiscal years 2001-2002 and 2002-2003 to
23 the Arizona health care cost containment system administration for increased
24 reimbursement to small rural hospitals that are designated as critical access
25 hospitals.

26 Sec. 23. Transfer of fund monies

27 After monies are distributed pursuant to senate bill 1391, forty-fifth
28 legislature, first regular session, as transmitted to the governor, all
29 monies that remain in the medical services stabilization fund established by
30 section 36-2922, Arizona Revised Statutes, after December 31, 2003 are
31 transferred to the medically needy account established by section 36-774,
32 Arizona Revised Statutes.

33 Sec. 24. Effective dates

34 A. Sections 36-2921, 36-2923 and 36-2982, Arizona Revised Statutes,
35 as amended by this act, are effective from and after September 30, 2001.

36 B. Sections 36-2923.01, 36-2923.02 and 36-2923.03, Arizona Revised
37 Statutes, as added by this act, are effective from and after September 30,
38 2001.

39 Sec. 25. Premium sharing program; fiscal year 2001-2002
40 transfer

41 Notwithstanding section 36-2921, subsection A, paragraph 8, Arizona
42 Revised Statutes, as amended by this act, in fiscal year 2001-2002 the
43 administration shall withdraw monies from the medically needy account in an
44 amount not to exceed five per cent of the sum of any monies expended for
45 administrative costs associated with the premium sharing program.

APPROVED BY THE GOVERNOR MAY 8, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 8, 2001.

Passed the House March 14, 2001,

by the following vote: 47 Ayes,

7 Nays, 6 Not Voting

[Signature]
Speaker of the House

[Signature]
Chief Clerk of the House

on reconsideration
Passed the Senate May 1, 2001,

by the following vote: 25 Ayes,

1 Nays, 4 Not Voting

[Signature]
President of the Senate

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this
_____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of
_____, 20____,

at _____ o'clock _____ M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this _____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary of State

H.B. 2585

HOUSE FINAL PASSAGE
as per Joint Conference

Passed the House May 02, 2001,

by the following vote: 48 Ayes,

4 Nays, 8 Not Voting

SENATE FINAL PASSAGE
as per Joint Conference

Passed the Senate May 2, 2001,

by the following vote: 29 Ayes,

0 Nays, 1 Not Voting

Speaker of the House

Norman L. Moore
Chief Clerk of the House

President of the Senate

Chaimin Billington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor

this 3 day of May, 2001,

at 11:03 o'clock A M.

Sandra Ramirez
Secretary to the Governor

Approved this 8 day of

May, 2001,

at 3:50 o'clock P M.

Jane Dee Hull
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 8 day of May, 2001,

at 5:30 o'clock P M.

Debra Taylor
Secretary of State

H.B. 2585