

State of Arizona
House of Representatives
Forty-sixth Legislature
First Regular Session
2003

CHAPTER 268

HOUSE BILL 2530

AN ACT

AMENDING SECTIONS 36-183.01, 36-2901, 36-2903.01, 36-2913, 36-2915, 36-2931, 36-2935, 36-2952, 36-2981, 36-2995 AND 48-5501, ARIZONA REVISED STATUTES; AMENDING TITLE 48, CHAPTER 31, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 48-5501.01; AMENDING SECTIONS 48-5505, 48-5506, 48-5507 AND 48-5541, ARIZONA REVISED STATUTES; AMENDING TITLE 48, CHAPTER 31, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 48-5541.01; AMENDING SECTIONS 48-5542, 48-5543, 48-5544, 48-5562, 48-5563, 48-5565 AND 48-5570, ARIZONA REVISED STATUTES; RELATING TO SPECIAL HEALTH CARE DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 36-183.01, Arizona Revised Statutes, is amended to
3 read:

4 36-183.01. County hospital under board of health or hospital
5 board; powers and duties

6 A. In any county that maintains a hospital, the board of supervisors
7 may delegate to a county board of health the responsibility to manage and
8 operate the hospital or if the county has a population of more than one
9 million persons according to the most recent United States decennial census,
10 THE BOARD OF SUPERVISORS OR IN THE CASE OF A COUNTY WITH A SPECIAL HEALTH
11 CARE DISTRICT THAT IS SUBJECT TO SECTION 48-5541.01, THE BOARD OF DIRECTORS
12 OF THE DISTRICT, by majority vote, MAY appoint a hospital board to perform
13 that function. If the board of supervisors decides to appoint a hospital
14 board, the board shall be composed of the following members:

15 1. A member of the board of supervisors who is chosen by the board of
16 supervisors. This member shall act as board chairman.

17 2. The director of the county hospital, who is a nonvoting member.

18 3. A physician licensed pursuant to title 32, chapter 13 or 17. This
19 member shall not be a county employee.

20 4. A professional nurse licensed pursuant to title 32, chapter
21 15. This member shall not be a county employee.

22 5. Each current president or chairman of the hospital's medical staff,
23 who is a nonvoting member.

24 6. Five public members selected by the board of supervisors for their
25 interest in health care. The public members shall be residents of different
26 supervisorial districts.

27 7. Two additional public members selected by the board of supervisors,
28 one who has financial expertise and one who has legal expertise.

29 B. The member of the hospital board from the board of supervisors
30 shall serve at the pleasure of the board of supervisors but no longer than
31 four years. Other members of the hospital board shall serve staggered
32 four-year terms, but no member may serve more than two full terms. A vacancy
33 occurring on the hospital board shall be filled by the board of supervisors
34 appointing another qualified person to serve the remainder of the term.

35 C. The county board of health or the appointed hospital board may:

36 1. With the consent of the board of supervisors and at salaries fixed
37 by the supervisors, appoint a hospital director, physicians and employees to
38 perform the work of the hospital.

39 2. Advise the director of the hospital and request from that person
40 the information it deems necessary.

41 3. Prescribe standards of medical care to be furnished by the hospital
42 and make reasonable rules for the operation and maintenance of the hospital.

43 4. With the consent of the board of supervisors, prescribe the charges
44 to be made by the hospital to persons able to pay in whole or in part for
45 services furnished by the hospital.

1 5. Prepare and submit to the board of supervisors an annual statement
2 of the financial affairs of the hospital and an estimate of the amounts
3 required to meet the expenses of the hospital for the next fiscal year. The
4 estimate shall include an estimate of the amount of money required for each
5 item of expenditure by the hospital.

6 6. Make long-range plans for the hospital and the care of the indigent
7 sick of the county.

8 7. Advise the board of supervisors on all matters relating to the
9 county hospital and medical services furnished by the county.

10 Sec. 2. Section 36-2901, Arizona Revised Statutes, is amended to read:
11 36-2901. Definitions

12 In this article, unless the context otherwise requires:

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

15 2. "Administrator" means the administrator of the Arizona health care
16 cost containment system.

17 3. "Contractor" means a person or entity that has a prepaid capitated
18 contract with the administration pursuant to section 36-2904 to provide
19 health care to members under this article either directly or through
20 subcontracts with providers.

21 4. "Department" means the department of economic security.

22 5. "Director" means the director of the Arizona health care cost
23 containment system administration.

24 6. "Eligible person" means any person who is:

25 (a) Any of the following:

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

28 (ii) Effective on October 1, 2002, defined in title XIX of the social
29 security act as an eligible pregnant woman, as a child under the age of six
30 years and whose family income does not exceed one hundred thirty-three per
31 cent of the federal poverty guidelines or as children who have not attained
32 nineteen years of age and whose family income does not exceed one hundred per
33 cent of the federal poverty guidelines.

34 (iii) Under twenty-one years of age and who was in the custody of the
35 department of economic security pursuant to title 8, chapter 5 or 10 when the
36 person became eighteen years of age.

37 (iv) Defined as eligible pursuant to section 36-2901.01.

38 (v) Defined as eligible pursuant to section 36-2901.04.

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

1 (c) A full-time officer or employee of any county in this state or
2 other persons authorized by the county to participate in county medical care
3 and hospitalization programs if the county in which such officer or employee
4 is employed has authorized participation in the system by resolution of the
5 county board of supervisors.

6 (d) An employee of a business within this state.

7 (e) A dependent of an officer or employee who is participating in the
8 system.

9 (f) Not enrolled in the Arizona long-term care system pursuant to
10 article 2 of this chapter.

11 (g) Defined as eligible pursuant to section 1902(a)(10)(A)(ii)(XV) and
12 (XVI) of title XIX of the social security act and who meets the income
13 requirements of section 36-2929.

14 7. "Malice" means evil intent and outrageous, oppressive or
15 intolerable conduct that creates a substantial risk of tremendous harm to
16 others.

17 8. "Member" means an eligible person who enrolls in the system.

18 9. "Noncontracting provider" means a person who provides health care
19 to members pursuant to this article but not pursuant to a subcontract with
20 a contractor.

21 10. "Physician" means a person licensed pursuant to title 32, chapter
22 13 or 17.

23 11. "Prepaid capitated" means a mode of payment by which a health care
24 contractor directly delivers health care services for the duration of a
25 contract to a maximum specified number of members based on a fixed rate per
26 member notwithstanding:

27 (a) The actual number of members who receive care from the contractor.

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

29 12. "Primary care physician" means a physician who is a family
30 practitioner, general practitioner, pediatrician, general internist, or
31 obstetrician or gynecologist.

32 13. "Primary care practitioner" means a nurse practitioner certified
33 pursuant to title 32, chapter 15 or a physician assistant certified pursuant
34 to title 32, chapter 25. This paragraph does not expand the scope of
35 practice for nurse practitioners as defined pursuant to title 32, chapter 15,
36 or for physician assistants as defined pursuant to title 32, chapter 25.

37 14. "Section 1115 waiver" means the research and demonstration waiver
38 granted by the United States department of health and human services.

39 15. "SPECIAL HEALTH CARE DISTRICT" MEANS A SPECIAL HEALTH CARE DISTRICT
40 ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31.

41 ~~15.~~ 16. "State plan" has the same meaning prescribed in section
42 36-2931.

43 ~~16.~~ 17. "System" means the Arizona health care cost containment system
44 established by this article.

1 Sec. 3. Section 36-2903.01, Arizona Revised Statutes, is amended to
2 read:

3 36-2903.01. Additional powers and duties

4 A. The director of the Arizona health care cost containment system
5 administration may adopt rules that provide that the system may withhold or
6 forfeit payments to be made to a noncontracting provider by the system if the
7 noncontracting provider fails to comply with this article, the provider
8 agreement or rules that are adopted pursuant to this article and that relate
9 to the specific services rendered for which a claim for payment is made.

10 B. The director shall:

11 1. Prescribe uniform forms to be used by all contractors. The rules
12 shall require a written and signed application by the applicant or an
13 applicant's authorized representative, or, if the person is incompetent or
14 incapacitated, a family member or a person acting responsibly for the
15 applicant may obtain a signature or a reasonable facsimile and file the
16 application as prescribed by the administration.

17 2. Enter into an interagency agreement with the department to
18 establish a streamlined eligibility process to determine the eligibility of
19 all persons defined pursuant to section 36-2901, paragraph 6, subdivision
20 (a). At the administration's option, the interagency agreement may allow the
21 administration to determine the eligibility of certain persons including
22 those defined pursuant to section 36-2901, paragraph 6, subdivision (a).

23 3. Enter into an intergovernmental agreement with the department to:

24 (a) Establish an expedited eligibility and enrollment process for all
25 persons who are hospitalized at the time of application.

26 (b) Establish performance measures and incentives for the department.

27 (c) Establish the process for management evaluation reviews that the
28 administration shall perform to evaluate the eligibility determination
29 functions performed by the department.

30 (d) Establish eligibility quality control reviews by the
31 administration.

32 (e) Require the department to adopt rules, consistent with the rules
33 adopted by the administration for a hearing process, that applicants or
34 members may use for appeals of eligibility determinations or
35 redeterminations.

36 (f) Establish the department's responsibility to place sufficient
37 eligibility workers at federally qualified health centers to screen for
38 eligibility and at hospital sites and level one trauma centers to ensure that
39 persons seeking hospital services are screened on a timely basis for
40 eligibility for the system, including a process to ensure that applications
41 for the system can be accepted on a twenty-four hour basis, seven days a
42 week.

43 (g) Withhold payments based on the allowable sanctions for errors in
44 eligibility determinations or redeterminations or failure to meet performance
45 measures required by the intergovernmental agreement.

1 (h) Recoup from the department all federal fiscal sanctions that
2 result from the department's inaccurate eligibility determinations. The
3 director may offset all or part of a sanction if the department submits a
4 corrective action plan and a strategy to remedy the error.

5 4. By rule establish a procedure and time frames for the intake of
6 grievances and requests for hearings, for the continuation of benefits and
7 services during the appeal process and for a grievance process at the
8 contractor level. Notwithstanding sections 41-1092.02, 41-1092.03 and
9 41-1092.05, the administration shall develop rules to establish the procedure
10 and time frame for the informal resolution of grievances and appeals. A
11 grievance that is not related to a claim for payment of system covered
12 services shall be filed in writing with and received by the administration
13 or the prepaid capitated provider or program contractor not later than sixty
14 days after the date of the adverse action, decision or policy implementation
15 being grieved. A grievance that is related to a claim for payment of system
16 covered services must be filed in writing and received by the administration
17 or the prepaid capitated provider or program contractor within twelve months
18 after the date of service, within twelve months after the date that
19 eligibility is posted or within sixty days after the date of the denial of
20 a timely claim submission, whichever is later. A grievance for the denial
21 of a claim for reimbursement of services may contest the validity of any
22 adverse action, decision, policy implementation or rule that related to or
23 resulted in the full or partial denial of the claim. A policy implementation
24 may be subject to a grievance procedure, but it may not be appealed for a
25 hearing. The administration is not required to participate in a mandatory
26 settlement conference if it is not a real party in interest. In any
27 proceeding before the administration, including a grievance or hearing,
28 persons may represent themselves or be represented by a duly authorized agent
29 who is not charging a fee. A legal entity may be represented by an officer,
30 partner or employee who is specifically authorized by the legal entity to
31 represent it in the particular proceeding.

32 5. Apply for and accept federal funds available under title XIX of the
33 social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section
34 1396 (1980)) in support of the system. The application made by the director
35 pursuant to this paragraph shall be designed to qualify for federal funding
36 primarily on a prepaid capitated basis. Such funds may be used only for the
37 support of persons defined as eligible pursuant to title XIX of the social
38 security act or the approved section 1115 waiver.

39 6. At least thirty days before the implementation of a policy or a
40 change to an existing policy relating to reimbursement, provide notice to
41 interested parties. Parties interested in receiving notification of policy
42 changes shall submit a written request for notification to the
43 administration.

1 C. The director is authorized to apply for any federal funds available
2 for the support of programs to investigate and prosecute violations arising
3 from the administration and operation of the system. Available state funds
4 appropriated for the administration and operation of the system may be used
5 as matching funds to secure federal funds pursuant to this subsection.

6 D. The director may adopt rules or procedures to do the following:

7 1. Authorize advance payments based on estimated liability to a
8 contractor or a noncontracting provider after the contractor or
9 noncontracting provider has submitted a claim for services and before the
10 claim is ultimately resolved. The rules shall specify that any advance
11 payment shall be conditioned on the execution before payment of a contract
12 with the contractor or noncontracting provider that requires the
13 administration to retain a specified percentage, which shall be at least
14 twenty per cent, of the claimed amount as security and that requires
15 repayment to the administration if the administration makes any overpayment.

16 2. Defer liability, in whole or in part, of contractors for care
17 provided to members who are hospitalized on the date of enrollment or under
18 other circumstances. Payment shall be on a capped fee-for-service basis for
19 services other than hospital services and at the rate established pursuant
20 to subsection G or H of this section for hospital services or at the rate
21 paid by the health plan, whichever is less.

22 3. Deputize, in writing, any qualified officer or employee in the
23 administration to perform any act that the director by law is empowered to
24 do or charged with the responsibility of doing, including the authority to
25 issue final administrative decisions pursuant to section 41-1092.08.

26 E. The director shall adopt rules which further specify the medical
27 care and hospital services which are covered by the system pursuant to
28 section 36-2907.

29 F. In addition to the rules otherwise specified in this article, the
30 director may adopt necessary rules pursuant to title 41, chapter 6 to carry
31 out this article. Rules adopted by the director pursuant to this subsection
32 shall consider the differences between rural and urban conditions on the
33 delivery of hospitalization and medical care.

34 G. For inpatient hospital admissions and all outpatient hospital
35 services before March 1, 1993, the administration shall reimburse a
36 hospital's adjusted billed charges according to the following procedures:

37 1. The director shall adopt rules that, for services rendered from and
38 after September 30, 1985 until October 1, 1986, define "adjusted billed
39 charges" as that reimbursement level that has the effect of holding constant
40 whichever of the following is applicable:

41 (a) The schedule of rates and charges for a hospital in effect on
42 April 1, 1984 as filed pursuant to chapter 4, article 3 of this title.

43 (b) The schedule of rates and charges for a hospital that became
44 effective after May 31, 1984 but before July 2, 1984, if the hospital's
45 previous rate schedule became effective before April 30, 1983.

1 (c) The schedule of rates and charges for a hospital that became
2 effective after May 31, 1984 but before July 2, 1984, limited to five per
3 cent over the hospital's previous rate schedule, and if the hospital's
4 previous rate schedule became effective on or after April 30, 1983 but before
5 October 1, 1983. For the purposes of this paragraph "constant" means equal
6 to or lower than.

7 2. The director shall adopt rules that, for services rendered from and
8 after September 30, 1986, define "adjusted billed charges" as that
9 reimbursement level that has the effect of increasing by four per cent a
10 hospital's reimbursement level in effect on October 1, 1985 as prescribed in
11 paragraph 1 of this subsection. Beginning January 1, 1991, the Arizona
12 health care cost containment system administration shall define "adjusted
13 billed charges" as the reimbursement level determined pursuant to this
14 section, increased by two and one-half per cent.

15 3. In no event shall a hospital's adjusted billed charges exceed the
16 hospital's schedule of rates and charges filed with the department of health
17 services and in effect pursuant to chapter 4, article 3 of this title.

18 4. For services rendered the administration shall not pay a hospital's
19 adjusted billed charges in excess of the following:

20 (a) If the hospital's bill is paid within thirty days of the date the
21 bill was received, eighty-five per cent of the adjusted billed charges.

22 (b) If the hospital's bill is paid any time after thirty days but
23 within sixty days of the date the bill was received, ninety-five per cent of
24 the adjusted billed charges.

25 (c) If the hospital's bill is paid any time after sixty days of the
26 date the bill was received, one hundred per cent of the adjusted billed
27 charges.

28 5. The director shall define by rule the method of determining when
29 a hospital bill will be considered received and when a hospital's billed
30 charges will be considered paid. Payment received by a hospital from the
31 administration pursuant to this subsection or from a contractor either by
32 contract or pursuant to section 36-2904, subsection J shall be considered
33 payment of the hospital bill in full, except that a hospital may collect any
34 unpaid portion of its bill from other third party payors or in situations
35 covered by title 33, chapter 7, article 3.

36 H. For inpatient hospital admissions and outpatient hospital services
37 on and after March 1, 1993 the administration shall adopt rules for the
38 reimbursement of hospitals according to the following procedures:

39 1. For inpatient hospital stays, the administration shall use a
40 prospective tiered per diem methodology, using hospital peer groups if
41 analysis shows that cost differences can be attributed to independently
42 definable features that hospitals within a peer group share. In peer
43 grouping the administration may consider such factors as length of stay
44 differences and labor market variations. If there are no cost differences,
45 the administration shall implement a stop loss-stop gain or similar

1 mechanism. Any stop loss-stop gain or similar mechanism shall ensure that
2 the tiered per diem rates assigned to a hospital do not represent less than
3 ninety per cent of its 1990 base year costs or more than one hundred ten per
4 cent of its 1990 base year costs, adjusted by an audit factor, during the
5 period of March 1, 1993 through September 30, 1994. The tiered per diem
6 rates set for hospitals shall represent no less than eighty-seven and
7 one-half per cent or more than one hundred twelve and one-half per cent of
8 its 1990 base year costs, adjusted by an audit factor, from October 1, 1994
9 through September 30, 1995 and no less than eighty-five per cent or more than
10 one hundred fifteen per cent of its 1990 base year costs, adjusted by an
11 audit factor, from October 1, 1995 through September 30, 1996. For the
12 periods after September 30, 1996 no stop loss-stop gain or similar mechanisms
13 shall be in effect. An adjustment in the stop loss-stop gain percentage may
14 be made to ensure that total payments do not increase as a result of this
15 provision. If peer groups are used the administration shall establish
16 initial peer group designations for each hospital before implementation of
17 the per diem system. The administration may also use a negotiated rate
18 methodology. The tiered per diem methodology may include separate
19 consideration for specialty hospitals that limit their provision of services
20 to specific patient populations, such as rehabilitative patients or children.
21 The initial per diem rates shall be based on hospital claims and encounter
22 data for dates of service November 1, 1990 through October 31, 1991 and
23 processed through May of 1992.

24 2. For rates effective on October 1, 1994, and annually thereafter,
25 the administration shall adjust tiered per diem payments for inpatient
26 hospital care by the data resources incorporated market basket index for
27 prospective payment system hospitals. For rates effective beginning on
28 October 1, 1999, the administration shall adjust payments to reflect changes
29 in length of stay for the maternity and nursery tiers.

30 3. For outpatient hospital services, the administration shall
31 reimburse a hospital by applying a hospital specific outpatient
32 cost-to-charge ratio to the covered charges.

33 4. Except if submitted under an electronic claims submission system,
34 a hospital bill is considered received for purposes of this paragraph on
35 initial receipt of the legible, error-free claim form by the administration
36 if the claim includes the following error-free documentation in legible form:

- 37 (a) An admission face sheet.
- 38 (b) An itemized statement.
- 39 (c) An admission history and physical.
- 40 (d) A discharge summary or an interim summary if the claim is split.
- 41 (e) An emergency record, if admission was through the emergency room.
- 42 (f) Operative reports, if applicable.
- 43 (g) A labor and delivery room report, if applicable.

1 Payment received by a hospital from the administration pursuant to this
2 subsection or from a contractor either by contract or pursuant to section
3 36-2904, subsection J is considered payment by the administration or the
4 contractor of the administration's or contractor's liability for the hospital
5 bill. A hospital may collect any unpaid portion of its bill from other third
6 party payors or in situations covered by title 33, chapter 7, article 3.

7 5. For services rendered on and after October 1, 1997, the
8 administration shall pay a hospital's rate established according to this
9 section subject to the following:

10 (a) If the hospital's bill is paid within thirty days of the date the
11 bill was received, the administration shall pay ninety-nine per cent of the
12 rate.

13 (b) If the hospital's bill is paid after thirty days but within sixty
14 days of the date the bill was received, the administration shall pay one
15 hundred per cent of the rate.

16 (c) If the hospital's bill is paid any time after sixty days of the
17 date the bill was received, the administration shall pay one hundred per cent
18 of the rate plus a fee of one per cent per month for each month or portion
19 of a month following the sixtieth day of receipt of the bill until the date
20 of payment.

21 6. In developing the reimbursement methodology, if a review of the
22 reports filed by a hospital pursuant to section 36-125.04 indicates that
23 further investigation is considered necessary to verify the accuracy of the
24 information in the reports, the administration may examine the hospital's
25 records and accounts related to the reporting requirements of section
26 36-125.04. The administration shall bear the cost incurred in connection
27 with this examination unless the administration finds that the records
28 examined are significantly deficient or incorrect, in which case the
29 administration may charge the cost of the investigation to the hospital
30 examined.

31 7. Except for privileged medical information, the administration shall
32 make available for public inspection the cost and charge data and the
33 calculations used by the administration to determine payments under the
34 tiered per diem system, provided that individual hospitals are not identified
35 by name. The administration shall make the data and calculations available
36 for public inspection during regular business hours and shall provide copies
37 of the data and calculations to individuals requesting such copies within
38 thirty days of receipt of a written request. The administration may charge
39 a reasonable fee for the provision of the data or information.

40 8. The prospective tiered per diem payment methodology for inpatient
41 hospital services shall include a mechanism for the prospective payment of
42 inpatient hospital capital related costs. The capital payment shall include
43 hospital specific and statewide average amounts. For tiered per diem rates
44 beginning on October 1, 1999, the capital related cost component is frozen
45 at the blended rate of forty per cent of the hospital specific capital cost

1 and sixty per cent of the statewide average capital cost in effect as of
2 January 1, 1999 and as further adjusted by the calculation of tier rates for
3 maternity and nursery as prescribed by law. The administration shall adjust
4 the capital related cost component by the data resources incorporated market
5 basket index for prospective payment system hospitals.

6 9. Beginning September 30, 1997, the administration shall establish
7 a separate graduate medical education program to reimburse hospitals that had
8 graduate medical education programs that were approved by the administration
9 as of October 1, 1999. The administration shall separately account for
10 monies for the graduate medical education program based on the total
11 reimbursement for graduate medical education reimbursed to hospitals by the
12 system in federal fiscal year 1995-1996 pursuant to the tiered per diem
13 methodology specified in this section. The graduate medical education
14 program reimbursement shall be adjusted annually by the increase or decrease
15 in the index published by the data resources incorporated hospital market
16 basket index for prospective hospital reimbursement. Subject to legislative
17 appropriation, on an annual basis, each qualified hospital shall receive a
18 single payment from the graduate medical education program that is equal to
19 the same percentage of graduate medical education reimbursement that was paid
20 by the system in federal fiscal year 1995-1996. Any reimbursement for
21 graduate medical education made by the administration shall not be subject
22 to future settlements or appeals by the hospitals to the administration.

23 10. The prospective tiered per diem payment methodology for inpatient
24 hospital services may include a mechanism for the payment of claims with
25 extraordinary operating costs per day. For tiered per diem rates effective
26 beginning on October 1, 1999, outlier cost thresholds are frozen at the
27 levels in effect on January 1, 1999 and adjusted annually by the
28 administration by the data resources incorporated market basket index for
29 prospective payment system hospitals.

30 11. Notwithstanding section 41-1005, subsection A, paragraph 9, the
31 administration shall adopt rules pursuant to title 41, chapter 6 establishing
32 the methodology for determining the prospective tiered per diem payments.

33 I. The director may adopt rules that specify enrollment procedures
34 including notice to contractors of enrollment. The rules may provide for
35 varying time limits for enrollment in different situations. The
36 administration shall specify in contract when a person who has been
37 determined eligible will be enrolled with that contractor and the date on
38 which the contractor will be financially responsible for health and medical
39 services to the person.

40 J. The administration may make direct payments to hospitals for
41 hospitalization and medical care provided to a member in accordance with this
42 article and rules. The director may adopt rules to establish the procedures
43 by which the administration shall pay hospitals pursuant to this subsection
44 if a contractor fails to make timely payment to a hospital. Such payment
45 shall be at a level determined pursuant to section 36-2904, subsection I or

1 J. The director may withhold payment due to a contractor in the amount of
2 any payment made directly to a hospital by the administration on behalf of
3 a contractor pursuant to this subsection.

4 K. The director shall establish a special unit within the
5 administration for the purpose of monitoring the third party payment
6 collections required by contractors and noncontracting providers pursuant to
7 section 36-2903, subsection B, paragraph 10 and subsection F and section
8 36-2915, subsection E. The director shall determine by rule:

9 1. The type of third party payments to be monitored pursuant to this
10 subsection.

11 2. The percentage of third party payments that is collected by a
12 contractor or noncontracting provider and that the contractor or
13 noncontracting provider may keep and the percentage of such payments that the
14 contractor or noncontracting provider may be required to pay to the
15 administration. Contractors and noncontracting providers must pay to the
16 administration one hundred per cent of all third party payments that are
17 collected and that duplicate administration fee-for-service payments. A
18 contractor that contracts with the administration pursuant to section
19 36-2904, subsection A may be entitled to retain a percentage of third party
20 payments if the payments collected and retained by a contractor are reflected
21 in reduced capitation rates. A contractor may be required to pay the
22 administration a percentage of third party payments that are collected by a
23 contractor and that are not reflected in reduced capitation rates.

24 L. On oral or written notice from the patient that the patient
25 believes the claims to be covered by the system, a contractor or
26 noncontracting provider of health and medical services prescribed in section
27 36-2907 shall not do either of the following unless the contractor or
28 noncontracting provider has verified through the administration that the
29 person has been determined ineligible, has not yet been determined eligible
30 or was not, at the time services were rendered, eligible or enrolled:

31 1. Charge, submit a claim to or demand or otherwise collect payment
32 from a member or person who has been determined eligible unless specifically
33 authorized by this article or rules adopted pursuant to this article.

34 2. Refer or report a member or person who has been determined eligible
35 to a collection agency or credit reporting agency for the failure of the
36 member or person who has been determined eligible to pay charges for system
37 covered care or services unless specifically authorized by this article or
38 rules adopted pursuant to this article.

39 M. The administration may conduct postpayment review of all claims
40 paid by the administration and may recoup any monies erroneously paid. The
41 director may adopt rules that specify procedures for conducting postpayment
42 review. A contractor may conduct a postpayment review of all claims paid by
43 the contractor and may recoup monies that are erroneously paid.

1 N. The director or the director's designee may employ and supervise
2 personnel necessary to assist the director in performing the functions of the
3 administration.

4 O. The administration may contract with contractors for obstetrical
5 care who are eligible to provide services under title XIX of the social
6 security act.

7 P. Notwithstanding any law to the contrary, on federal approval the
8 administration may make disproportionate share payments to private hospitals,
9 county operated hospitals, INCLUDING HOSPITALS OWNED OR LEASED BY A SPECIAL
10 HEALTH CARE DISTRICT, and state operated institutions for mental disease
11 beginning October 1, 1991 in accordance with federal law and subject to
12 legislative appropriation. If at any time the administration receives
13 written notification from federal authorities of any change or difference in
14 the actual or estimated amount of federal funds available for
15 disproportionate share payments from the amount reflected in the legislative
16 appropriation for such purposes, the administration shall provide written
17 notification of such change or difference to the president and the minority
18 leader of the senate, the speaker and the minority leader of the house of
19 representatives, the director of the joint legislative budget committee, the
20 legislative committee of reference and any hospital trade association within
21 this state, within three working days not including weekends after receipt
22 of the notice of the change or difference. In calculating disproportionate
23 share payments as prescribed in this section, the administration may use
24 either a methodology based on claims and encounter data that is submitted to
25 the administration from contractors or a methodology based on data that is
26 reported to the administration by private hospitals and state operated
27 institutions for mental disease. The selected methodology applies to all
28 private hospitals and state operated institutions for mental disease
29 qualifying for disproportionate share payments.

30 Q. Notwithstanding any law to the contrary, the administration may
31 receive confidential adoption information to determine whether an adopted
32 child should be terminated from the system.

33 R. The adoption agency or the adoption attorney shall notify the
34 administration within thirty days after an eligible person receiving services
35 has placed that person's child for adoption.

36 S. If the administration implements an electronic claims submission
37 system it may adopt procedures pursuant to subsection H of this section
38 requiring documentation different than prescribed under subsection H,
39 paragraph 4 of this section.

40 Sec. 4. Section 36-2913, Arizona Revised Statutes, is amended to read:
41 36-2913. Systems funds; funding

42 A. The Arizona health care cost containment system fund, long-term
43 care system fund and the third party liability fund are established. The
44 funds shall be used to pay administrative and program costs associated with

1 the operation of the system established pursuant to this article and the
2 long-term care system established pursuant to article 2 of this chapter.

3 B. Separate accounts, including but not limited to a reserve fund, may
4 be established within the funds. Different accounts within the funds shall
5 be established in order to separately account for expense and income activity
6 associated with the system established pursuant to this article and article
7 2 of this chapter.

8 C. The Arizona health care cost containment system fund and long-term
9 care system fund shall be comprised of:

10 1. Monies paid by each of the counties of this state of the amounts
11 determined or withheld by the state treasurer pursuant to section 11-292.

12 2. Monies paid by each county resolving to participate in the system
13 equal to the actual cost, as limited by the board of supervisors, together
14 with employee contributions of providing hospitalization and medical care
15 under the system to full-time officers and employees of the county and its
16 departments and agencies.

17 3. Monies paid by this state equal to the actual cost, as limited by
18 section 38-651, together with employee contributions of providing
19 hospitalization and medical care under the system to full-time officers and
20 employees of this state, of its departments and agencies and of cities, towns
21 and school districts of this state.

22 4. Monies drawn against appropriations made by this state for the
23 costs of operating the Arizona health care cost containment system or the
24 long-term care system. Monies shall be drawn against appropriations and
25 transferred from the fund from which they were appropriated on an as needed
26 basis only.

27 5. Gifts, donations and grants from any source.

28 6. Federal monies made available to this state for the operation of
29 the Arizona health care cost containment system or the long-term care system.

30 7. Interest paid on monies deposited in the fund.

31 8. Monies paid by the owners of eligible businesses in this state,
32 including employee contributions, for the actual cost of providing
33 hospitalization and medical care under the system to their full-time
34 employees together with interest paid on monies deposited in the fund.
35 Administrative costs of the system to operate the eligible businesses program
36 are subject to legislative appropriation.

37 9. Reimbursements for data collection.

38 D. The third party liability fund is comprised of monies paid by third
39 party payors and lien and estate recoveries.

40 E. All monies in the funds other than monies appropriated by the state
41 shall not lapse.

42 F. All monies drawn against appropriations made by this state
43 remaining in the funds at the end of the fiscal year shall revert to the fund
44 from which they were appropriated and drawn, and the appropriation shall
45 lapse in accordance with section 35-190. Notwithstanding the provisions of

1 section 35-191, subsection B, the period for administrative adjustments shall
2 extend for only six months for appropriations made for system covered
3 services.

4 G. Notwithstanding sections 35-190 and 35-191, all approved claims for
5 system covered services presented after the close of the fiscal year in which
6 they were incurred shall be paid either in accordance with subsection F of
7 this section or in the current fiscal year with the monies available in the
8 funds established by this section.

9 H. Claims for system covered services that are determined valid by the
10 director pursuant to section 36-2904, subsection H and the department's
11 grievance and appeal procedure shall be paid from the funds established by
12 this section.

13 I. For purposes of this section, system covered services exclude
14 administrative charges for operating expenses.

15 J. All payments for claims from the funds established by this section
16 shall be accounted for by the administration by the fiscal year in which the
17 claims were incurred, regardless of the fiscal year in which the payments
18 were made.

19 K. Notwithstanding any other law, county owned or contracted providers
20 AND SPECIAL HEALTH CARE DISTRICT OWNED OR CONTRACTED PROVIDERS are subject
21 to all claims processing and payment requirements or limitations of this
22 chapter that are applicable to noncounty providers.

23 Sec. 5. Section 36-2915, Arizona Revised Statutes, is amended to read:
24 36-2915. Lien of administration on damages recovered by injured
25 person; perfection, recording, assignment and notice
26 of lien

27 A. The administration is entitled to a lien for the charges for
28 hospital or medical care and treatment of an injured person for which the
29 administration or a contractor is responsible, on any and all claims of
30 liability or indemnity for damages accruing to the person to whom hospital
31 or medical service is rendered, or to the legal representative of such
32 person, on account of injuries giving rise to such claims and which
33 necessitated such hospital or medical care and treatment.

34 B. In order to perfect a lien granted by this section, the director
35 or the director's authorized representative, before or within sixty days from
36 the date of notification to the administration of the hospital discharge or
37 rendering of medical care and treatment, shall record in the office of the
38 recorder of the county in which the injuries were incurred a verified
39 statement in writing setting forth the name and address of the patient as
40 they appear on the records of the administration, the name and address of the
41 administration, the dates of admission to and discharge of the patient from
42 the hospital or the dates on which medical care and treatment were provided
43 to the patient, the amount estimated to be due for hospital or medical care
44 and treatment, and, to the best of the director's knowledge, the names and
45 addresses of all persons, firms or corporations and their insurance carriers

1 alleged by the injured person or that person's legal representative to be
2 liable for damages arising from the injuries for which he was hospitalized
3 or for which medical care and treatment were provided. However, the director
4 or the director's authorized representative is not required to include the
5 address of the patient in the verified statement if the administration's
6 records indicate that the patient's injuries may have resulted from an
7 offense against the patient as defined in section 13-105. The director or
8 the director's authorized representative, within five days after recording
9 the lien, shall mail a copy of the lien, postage prepaid, to the patient and
10 to each person, firm or corporation, including insurance carriers, alleged
11 to be liable for liability or indemnity damages, at the address given in the
12 statement. The recording of the lien is notice of the lien to all persons,
13 firms or corporations, including insurance carriers, liable for liability or
14 indemnity damages, whether or not they are named in the lien.

15 C. The recorder shall endorse on a lien recorded as provided by this
16 section the date and hour of receipt and such facts as are necessary to
17 indicate that it has been recorded.

18 D. The lien may be assigned in whole or in part to a contractor that
19 is responsible for hospital or medical services.

20 E. The director shall establish by rule procedures for a contractor
21 and a noncontracting provider to notify the administration concerning the
22 delivery of hospital or medical services to a person who may have claims for
23 damages.

24 F. Notwithstanding any other law, a lien or claim provided for by this
25 article has priority over a lien of the department pursuant to section
26 36-596.01, a lien of the counties pursuant to section 11-291, a health care
27 provider lien pursuant to title 33, chapter 7, article 3 and a claim against
28 a third party payor. A lien of the department of economic security pursuant
29 to section 36-596.01, A LIEN OF A SPECIAL HEALTH CARE DISTRICT PURSUANT TO
30 SECTION 48-5541.01, SUBSECTION N and a lien of the counties pursuant to
31 section 11-291 has priority over a health care provider lien pursuant to
32 title 33, chapter 7, article 3 and a claim against a third party payor.

33 G. A lien authorized pursuant to this chapter may be amended to
34 reflect current charges. However, if the administration is given notice of
35 an impending settlement of the member's claim at least fifteen working days
36 before the final settlement of that claim, the lien may not be amended after
37 the time of final settlement.

38 H. A public entity shall compromise a claim it has pursuant to this
39 section or section 11-291, 12-962, 36-596, 36-596.01, 36-2903, 36-2935 or
40 36-2956 if, after considering the factors listed in subsection I of this
41 section, the compromise provides a settlement of the claim that is fair and
42 equitable.

43 I. In determining the extent of the compromise of the claim required
44 by subsection H of this section, the public entity shall consider the
45 following factors:

1 1. The nature and extent of the patient's injury or illness.

2 2. The sufficiency of insurance or other sources of indemnity
3 available to the patient.

4 3. Any other factor relevant for a fair and equitable settlement under
5 the circumstances of a particular case.

6 J. Notwithstanding any other law, for the purpose of recovering monies
7 from third party payors as provided by this section, a lien that includes a
8 cover sheet pursuant to subsection K of this section and that is filed by an
9 entity under contract with the administration, a health plan or a program
10 contractor, or the authorized representatives of these entities, is
11 considered filed by the state for the purposes of payment of county recorder
12 fees pursuant to section 11-475, subsection A, paragraph 2.

13 K. A health plan, a program contractor, an entity under contract with
14 the administration or an authorized representative of the health plan,
15 program contractor or entity shall include a cover sheet, as prescribed by
16 the administration, when filing a lien on behalf of the administration
17 pursuant to this section. The cover sheet shall be signed by the director
18 on the administration's letterhead with the statutory authority of the health
19 plan, program contractor, entity or authorized representative of the health
20 plan, program contractor or entity to file a lien on behalf of the
21 administration.

22 Sec. 6. Section 36-2931, Arizona Revised Statutes, is amended to read:
23 36-2931. Definitions

24 In this article, unless the context otherwise requires:

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

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

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

32 4. "Director" means the director of the Arizona health care cost
33 containment system administration.

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

35 (a) Is a resident of this state and a United States citizen or a
36 person who meets the requirements for qualified alien status as determined
37 pursuant to section 36-2903.03, who entered the United States on or before
38 August 21, 1996 or who entered the United States on or after August 22, 1996
39 and who is a member of an exception group under Public Law 104-193,
40 section 412.

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

42 (c) Needs institutional services as determined pursuant to section
43 36-2936.

1 (d) Is defined as eligible pursuant to section 1902(a)(10)(A)(ii)(xv)
2 and (xvi) of title xix of the social security act and who meets the income
3 requirements of section 36-2950.

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

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

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

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

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

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

17 12. "SPECIAL HEALTH CARE DISTRICT" MEANS A SPECIAL HEALTH CARE DISTRICT
18 ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31.

19 ~~12.~~ 13. "State plan" means a written agreement between the health care
20 financing administration CENTERS FOR MEDICARE AND MEDICAID SERVICES and the
21 Arizona health care cost containment system administration that describes
22 eligibility, covered services and the requirements for participation in the
23 medicaid program except those requirements that are waived pursuant to the
24 research and demonstration waiver pursuant to section 1115 of the social
25 security act.

26 ~~13.~~ 14. "System" means the Arizona long-term care system.

27 ~~14.~~ 15. "Uniform accounting system" means a standard method of
28 collecting, recording and safeguarding Arizona long-term care system data.

29 Sec. 7. Section 36-2935, Arizona Revised Statutes, is amended to read:
30 36-2935. Estate recovery program; liens

31 The director shall adopt rules in accordance with state and federal law
32 to allow the administration to file a claim against a member's estate to
33 recover paid assistance. The administration is also entitled to a lien on
34 a member's property to recover paid assistance the member receives. As
35 nearly as is possible, the administration shall recover charges pursuant to
36 the procedures prescribed in sections 36-2915 and 36-2916. If both the
37 administration and a county have valid liens for paid assistance provided to
38 the same member, OR IF BOTH THE ADMINISTRATION AND A SPECIAL HEALTH CARE
39 DISTRICT HAVE VALID CLAIMS FOR PAID ASSISTANCE PROVIDED TO THE SAME MEMBER,
40 the value of the property shall be divided between the administration, THE
41 SPECIAL HEALTH CARE DISTRICT and the county pro rata according to the amounts
42 of their respective liens. The administration shall impose liens in a manner
43 consistent with federal law. This section also applies to persons who are
44 eligible pursuant to section 36-2901, paragraph 6, subdivision (a) and who
45 receive medical assistance under article 1 of this chapter.

1 Sec. 8. Section 36-2952, Arizona Revised Statutes, is amended to read:
2 36-2952. County or special health care district long-term care
3 system fund; uniform accounting

4 A. Each county which OR SPECIAL HEALTH CARE DISTRICT THAT is a program
5 contractor pursuant to section 36-2940 shall establish and maintain a county
6 OR SPECIAL HEALTH CARE DISTRICT long-term care system fund as a separate fund
7 to distinguish its revenues and its expenditures pursuant to this article
8 from other programs funded or administered by the county OR SPECIAL HEALTH
9 CARE DISTRICT. The fund shall be used to pay administrative and program
10 costs associated with the operation of the system or all or any part of the
11 county's share of the total nonfederal part of the actual costs of the
12 Arizona long-term care system. Amounts paid for all or any part of the
13 counties' share of the total nonfederal part of the actual costs of the
14 Arizona long-term care system pursuant to this section shall be deposited,
15 pursuant to sections 35-146 and 35-147, with the state treasurer.

16 B. The county OR SPECIAL HEALTH CARE DISTRICT long-term care system
17 fund shall be comprised of:

- 18 1. Monies paid by the administration pursuant to the contract.
- 19 2. Amounts paid by third party payors.
- 20 3. Gifts, donations and grants from any source.
- 21 4. Interest on monies deposited in the long-term care system fund.

22 C. A county OR SPECIAL HEALTH CARE DISTRICT shall not transfer any
23 monies deposited in the county OR SPECIAL HEALTH CARE DISTRICT long-term care
24 system fund except as permitted by this subsection. If there are any
25 unexpended monies remaining in the fund at the end of any fiscal year, the
26 county OR SPECIAL HEALTH CARE DISTRICT shall carry over such monies to the
27 next fiscal year to be used only to provide services pursuant to this
28 article or to pay all or any part of the county's share of the total
29 nonfederal part of the actual costs of the Arizona long-term care system.

30 D. Each county OR SPECIAL HEALTH CARE DISTRICT program contractor
31 shall submit a long-term care budget as prescribed by the administration.

32 E. The administration shall prescribe a uniform accounting system for
33 the county AND SPECIAL HEALTH CARE DISTRICT long-term care system
34 funds. Technical assistance shall be provided by the administration to the
35 county OR TO THE SPECIAL HEALTH CARE DISTRICT in order to facilitate the
36 implementation of the uniform accounting system.

37 F. Each county program contractor shall submit an annual audited
38 financial and programmatic report for the preceding fiscal year as required
39 by the administration. The report shall include beginning and ending fund
40 balances, revenue and expenditures including specific identification of
41 county administrative costs for the system. The report shall include the
42 number of members served by the system and the cost incurred for various
43 types of services provided to members in a format prescribed by the director.

1 G. Each county OR SPECIAL HEALTH CARE DISTRICT program contractor
2 shall submit additional utilization and financial reports as required by the
3 director.

4 H. The director shall make at least an annual review of each county's
5 OR SPECIAL HEALTH CARE DISTRICT'S records and accounts.

6 Sec. 9. Section 36-2981, Arizona Revised Statutes, is amended to read:
7 36-2981. Definitions

8 In this article, unless the context otherwise requires:

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

11 2. "Contractor" means a health plan that contracts with the
12 administration for the provision of hospitalization and medical care to
13 members according to the provisions of this article or a qualifying plan.

14 3. "Director" means the director of the administration.

15 4. "Federal poverty level" means the federal poverty level guidelines
16 published annually by the United States department of health and human
17 services.

18 5. "Health plan" means an entity that contracts with the
19 administration for services provided pursuant to article 1 of this chapter.

20 6. "Member" means a person who is eligible for and enrolled in the
21 program, who is under nineteen years of age and whose gross household income
22 meets the following requirements:

23 (a) Beginning on November 1, 1998 through September 30, 1999, has
24 income at or below one hundred fifty per cent of the federal poverty level.

25 (b) Beginning on October 1, 1999 and for each fiscal year thereafter,
26 has income at or below two hundred per cent of the federal poverty level.

27 7. "Noncontracting provider" means an entity that provides hospital
28 or medical care but does not have a contract or subcontract with the
29 administration.

30 8. "Physician" means a person licensed pursuant to title 32, chapter
31 13 or 17.

32 9. "Prepaid capitated" means a method of payment by which a contractor
33 delivers health care services for the duration of a contract to a specified
34 number of members based on a fixed rate per member, per month without regard
35 to the number of members who receive care or the amount of health care
36 services provided to a member.

37 10. "Primary care physician" means a physician who is a family
38 practitioner, general practitioner, pediatrician, general internist,
39 obstetrician or gynecologist.

40 11. "Primary care practitioner" means a nurse practitioner who is
41 certified pursuant to title 32, chapter 15 or a physician assistant who is
42 licensed pursuant to title 32, chapter 25 and who is acting within the
43 respective scope of practice of those chapters.

44 12. "Program" means the children's health insurance program.

1 13. "Qualifying plan" means a contractor that contracts with the state
2 pursuant to section 38-651 to provide health and accident insurance for state
3 employees and that provides services to members pursuant to section 36-2989,
4 subsection A.

5 14. "SPECIAL HEALTH CARE DISTRICT" MEANS A SPECIAL HEALTH CARE DISTRICT
6 ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31.

7 ~~14.~~ 15. "Tribal facility" means a facility that is operated by an
8 Indian tribe and that is authorized to provide services pursuant to Public
9 Law 93-638, as amended.

10 Sec. 10. Section 36-2995, Arizona Revised Statutes, is amended to
11 read:

12 36-2995. Children's health insurance program fund; sources of
13 monies; use; reversion; claims

14 A. The children's health insurance program fund is established. The
15 administration shall administer the fund and shall use fund monies to pay
16 administrative and program costs associated with the operation of the program
17 established by this article.

18 B. Separate accounting shall be made for each source of monies
19 received pursuant to subsection C of this section for expenses and income
20 activity associated with the program established pursuant to this article.

21 C. Monies in the fund are comprised of:

22 1. Federal monies available to this state for the operation of the
23 program.

24 2. Tobacco tax monies appropriated as state matching monies.

25 3. Gifts, donations and grants from any source.

26 4. Interest paid on monies deposited in the fund.

27 5. Third party liability recoveries.

28 D. If a gift, a donation or a grant of over ten thousand dollars
29 received from any private source contains a condition, the administration
30 shall first meet with the joint legislative study committee on the
31 integration of health care services to review the condition before it spends
32 that gift, donation or grant.

33 E. All monies in the fund other than monies appropriated by this state
34 do not lapse.

35 F. Monies appropriated from the medically needy account of the tobacco
36 tax and health care fund pursuant to section 36-2921 are exempt from section
37 35-190 relating to lapsing of appropriations. Notwithstanding section
38 35-191, subsection B, the period for administrative adjustments extends for
39 only six months for appropriations made for administration covered services.

40 G. Notwithstanding sections 35-190 and 35-191, all approved claims for
41 system covered services presented after the end of the fiscal year in which
42 they were incurred shall be paid either in accordance with this section or
43 in the current fiscal year with the monies available in the funds established
44 by this section.

1 H. Claims for covered services that are determined to be valid by the
2 director and the grievance and appeal procedure shall be paid from the
3 children's health insurance program fund.

4 I. All payments for claims from the children's health insurance
5 program fund shall be accounted for by the administration by the fiscal year
6 in which the claims were incurred, regardless of the fiscal year in which the
7 payments were made.

8 J. Notwithstanding any other law, county owned or contracted providers
9 AND SPECIAL HEALTH CARE DISTRICT OWNED OR CONTRACTED PROVIDERS are subject
10 to all claims processing and payment requirements or limitations of this
11 chapter that are applicable to noncounty providers.

12 Sec. 11. Section 48-5501, Arizona Revised Statutes, is amended to
13 read:

14 48-5501. Definitions

15 In this article CHAPTER, unless the context otherwise requires:

16 1. "FREESTANDING URGENT CARE CENTER" HAS THE SAME MEANING PRESCRIBED
17 IN SECTION 36-401.

18 2. "HOME HEALTH AGENCY" HAS THE SAME MEANING PRESCRIBED IN SECTION
19 36-151.

20 ~~1.~~ 3. "Medical clinic" means a facility that provides for physical
21 evaluation, diagnosis and treatment of patients and that does not keep
22 patients overnight as bed patients or treat patients under general
23 anesthesia.

24 4. "MEDICALLY UNDERSERVED" MEANS POPULATIONS THAT EXHIBIT ONE OR MORE
25 OF THE FOLLOWING INDICATORS:

26 (a) LIMITATIONS ON THE AVAILABILITY OF PRIMARY CARE PROVIDERS,
27 PRENATAL CARE OR OTHER HEALTH CARE SERVICES.

28 (b) RESIDENCE IN A HEALTH PROFESSIONAL SHORTAGE AREA AS DEFINED IN 42
29 CODE OF FEDERAL REGULATIONS, PART 5.

30 (c) A STANDARD OF LIVING AT OR BELOW A DESIGNATED FEDERAL POVERTY
31 LEVEL.

32 (d) OTHER FACTORS INDICATIVE OF BEING MEDICALLY UNDERSERVED INCLUDING
33 LEVELS OF UNEMPLOYMENT, INCIDENCE OF INFANT MORTALITY OR LOW BIRTH WEIGHTS
34 AND THE ELDERLY.

35 ~~2.~~ 5. "~~Nursing care center~~ INSTITUTION" means ~~a health care facility~~
36 ~~that provides inpatient beds or resident beds and nursing services to persons~~
37 ~~who need nursing services on a continuing basis but who do not require~~
38 ~~hospital care or direct daily care from a physician~~ HAS THE SAME MEANING
39 PRESCRIBED IN SECTION 36-401.

40 ~~3.~~ 6. "Qualified electors" means persons who are qualified to vote
41 pursuant to title 16.

42 ~~4.~~ "~~Urgent care center~~" means ~~a health care facility that operates~~
43 ~~twelve to twenty-four hours a day seven days a week without inpatient beds~~
44 ~~but with facilities and limited hospital services for physical evaluation of~~

1 ~~outpatients and diagnosing or treating patients including surgery under~~
2 ~~general anesthesia.~~

3 7. "SPECIAL PAYMENTS" MEANS ANY PAYMENTS MADE PURSUANT TO SECTION
4 36-2903.01, SUBSECTION P TO OR ON BEHALF OF A COUNTY OPERATED HOSPITAL,
5 INCLUDING A HOSPITAL OWNED OR LEASED BY A SPECIAL HEALTH CARE DISTRICT.

6 Sec. 12. Title 48, chapter 31, article 1, Arizona Revised Statutes,
7 is amended by adding section 48-5501.01, to read:

8 48-5501.01. Establishment of special health care district

9 A. IN A COUNTY WITH A POPULATION OF TWO MILLION OR MORE PERSONS, THE
10 COUNTY BOARD OF SUPERVISORS MAY SUBMIT TO A VOTE OF THE QUALIFIED ELECTORS
11 THE QUESTION OF FORMING A SPECIAL HEALTH CARE DISTRICT. THE BOARD OF
12 SUPERVISORS MAY SUBMIT AS A SINGLE ISSUE THE QUESTION OF FORMING THE SPECIAL
13 HEALTH CARE DISTRICT WITH AUTHORITY TO IMPOSE A SECONDARY PROPERTY TAX
14 PURSUANT TO SECTIONS 48-5563 AND 48-5565 AND BONDING AUTHORITY. A SPECIAL
15 HEALTH CARE DISTRICT FORMED PURSUANT TO THIS SECTION SHALL BE GEOGRAPHICALLY
16 COTERMINOUS WITH THE COUNTY BOUNDARIES, AND THE QUALIFIED ELECTORS OF THE
17 COUNTY ARE QUALIFIED ELECTORS FOR ANY ELECTION HELD PURSUANT TO THIS SECTION.

18 B. IF A MAJORITY OF THE QUALIFIED ELECTORS VOTING ON THE ISSUE
19 APPROVES THE FORMATION OF THE SPECIAL HEALTH CARE DISTRICT, THE BOARD OF
20 SUPERVISORS SHALL ORDER THE ESTABLISHMENT OF THE SPECIAL HEALTH CARE DISTRICT
21 AND SHALL SERVE AS THE BOARD OF DIRECTORS OF THE DISTRICT UNTIL DIRECTORS ARE
22 ELECTED AT THE NEXT GENERAL ELECTION AS PRESCRIBED BY SECTION
23 48-5541.01. THE ORDER OF THE BOARD OF SUPERVISORS ESTABLISHING THE SPECIAL
24 HEALTH CARE DISTRICT IS FINAL, AND THE SPECIAL HEALTH CARE DISTRICT IS
25 ESTABLISHED ON ISSUANCE OF THE ORDER ESTABLISHING THE DISTRICT.

26 C. THE BOARD OF SUPERVISORS MAY ALSO INCLUDE AT THE FORMATION ELECTION
27 OR AT ANY OTHER ELECTION CALLED FOR THAT PURPOSE THE QUESTION OF ISSUANCE OF
28 BONDS PURSUANT TO SECTION 48-5566.

29 D. A SPECIAL HEALTH CARE DISTRICT IS A TAX LEVYING PUBLIC IMPROVEMENT
30 DISTRICT FOR ALL PURPOSES OF ARTICLE XIII, SECTION 7, CONSTITUTION OF
31 ARIZONA, TO THE EXTENT OF THE POWERS, PRIVILEGES AND IMMUNITIES CONFERRED BY
32 THIS CHAPTER OR GRANTED GENERALLY TO TAX LEVYING PUBLIC IMPROVEMENT DISTRICTS
33 BY THE CONSTITUTION AND STATUTES OF THIS STATE.

34 E. IF A SPECIAL HEALTH CARE DISTRICT IS ESTABLISHED PURSUANT TO THIS
35 SECTION, BEGINNING IN THE FISCAL YEAR THAT COUNTY HEALTH CARE SYSTEM
36 OPERATIONS ARE TRANSFERRED TO THE DISTRICT, THE ECONOMIC ESTIMATES COMMISSION
37 SHALL DECREASE THE COUNTY'S BASE EXPENDITURE LIMIT AS PROVIDED BY SECTION
38 41-563 BY AN AMOUNT DETERMINED AS FOLLOWS:

39 1. DIVIDE THE AMOUNT OF THE COUNTY'S EXPENDITURES SUBJECT TO
40 LIMITATION THAT PERTAIN TO THE TRANSFERRED HEALTH CARE SYSTEM OPERATIONS FOR
41 THE PRECEDING FISCAL YEAR, AS DETERMINED BY THE AUDITOR GENERAL FROM THE
42 ANNUAL EXPENDITURE LIMITATION REPORT OF THE COUNTY, BY THE GDP PRICE
43 DEFLATOR, AS DEFINED IN SECTION 41-563, FOR THAT FISCAL YEAR USED TO
44 CALCULATE EXPENDITURE LIMITATIONS FOR THE FISCAL YEAR OF THE TRANSFER.

1 2. MULTIPLY THE QUOTIENT BY THE GDP PRICE DEFLATOR DETERMINED FOR
2 FISCAL YEAR 1979-1980.

3 3. DIVIDE THE AMOUNT DETERMINED IN PARAGRAPH 2 FOR THE FISCAL YEAR OF
4 THE TRANSFER BY THE POPULATION OF THE COUNTY, AS DEFINED IN ARTICLE IX,
5 SECTION 20, SUBSECTION (3), PARAGRAPH (f), CONSTITUTION OF ARIZONA, FOR THE
6 SAME FISCAL YEAR USED TO CALCULATE EXPENDITURE LIMITATIONS FOR THE FISCAL
7 YEAR OF THE TRANSFER.

8 4. MULTIPLY THE QUOTIENT BY THE POPULATION OF THE COUNTY FOR FISCAL
9 YEAR 1979-1980.

10 Sec. 13. Section 48-5505, Arizona Revised Statutes, is amended to
11 read:

12 48-5505. Compensation of directors

13 Members of the board of directors shall serve without compensation, but
14 each is allowed:

15 1. Necessary travel and incidental expenses actually incurred in
16 performing official district business as approved by the board of directors.

17 2. Per diem determined pursuant to title 38, chapter 4, article 2,
18 when away from the district on business of the district.

19 3. PER DIEM FOR ATTENDING MEETINGS OF THE BOARD OF DIRECTORS OF THE
20 DISTRICT NOT TO EXCEED THE AMOUNT PRESCRIBED BY SECTION 32-1604.

21 Sec. 14. Section 48-5506, Arizona Revised Statutes, is amended to
22 read:

23 48-5506. Reimbursement for county services

24 Services provided by a county to a special health care district,
25 INCLUDING COSTS RELATED TO THE FORMATION OF THE SPECIAL HEALTH CARE DISTRICT,
26 are subject to reimbursement pursuant to section 11-251.06.

27 Sec. 15. Section 48-5507, Arizona Revised Statutes, is amended to
28 read:

29 48-5507. Dissolution of district

30 A. A district that is organized under this chapter may be dissolved
31 by the majority vote of all qualified electors voting on the question of
32 dissolution at a special election called to vote on the question. The
33 district shall not be dissolved if the district has outstanding debt unless
34 adequate provisions have been made for the payment of the outstanding debt.

35 B. The county board of supervisors shall call the election on either:

36 1. Application by the district board of directors.

37 2. Filing a petition signed by twenty-five per cent of the qualified
38 electors of the district.

39 C. If a district is dissolved, the board OF DIRECTORS shall:

40 1. Pay or make provision for paying all liabilities of the district.

41 2. Convey to the county all property, buildings, equipment and other
42 items owned by the district.

1 Sec. 16. Section 48-5541, Arizona Revised Statutes, is amended to
2 read:

3 48-5541. Powers of special health care district

4 A special health care district may:

5 1. Adopt and use a corporate seal.

6 2. Sue and be sued in all courts and places and in all actions and
7 proceedings.

8 3. Purchase, receive, take, hold, lease, use and enjoy property of
9 every kind and description in the district, and control, dispose of, sell,
10 convey, encumber and create leasehold interests in property for the benefit
11 of the district.

12 4. Administer trusts declared or created for the district, and receive
13 by gift, devise or bequest and hold in trust or otherwise, property located
14 in this state or elsewhere and, if not otherwise provided, dispose of trust
15 property for the benefit of the district.

16 5. Operate and maintain, or provide for the operation and maintenance
17 of, at one or more locations in the district, a hospital, FREESTANDING urgent
18 care centers, medical clinics, nursing care centers INSTITUTIONS, a combined
19 hospital and nursing care center INSTITUTION, a combined hospital, nursing
20 care center INSTITUTION and ambulance service, or a combined FREESTANDING
21 urgent care center and ambulance service, A HOME HEALTH AGENCY OR ANY OTHER
22 ASSET OF A HEALTH SYSTEM AS DEFINED IN SECTION 11-1401 AND ANY HEALTH SYSTEM
23 LIABILITY AS DEFINED IN SECTION 11-1401 THAT IS owned or operated by the
24 district.

25 6. Contract with an existing hospital, FREESTANDING urgent care
26 center, nursing care center INSTITUTION, ambulance service, city, town or
27 fire district in the district to provide hospital, urgent care, nursing care
28 and ambulance related services.

29 Sec. 17. Title 48, chapter 31, article 2, Arizona Revised Statutes,
30 is amended by adding section 48-5541.01, to read:

31 48-5541.01. Additional powers of certain special health care
32 districts

33 A. THIS SECTION APPLIES ONLY TO A SPECIAL HEALTH CARE DISTRICT IN A
34 COUNTY WITH A POPULATION OF TWO MILLION OR MORE PERSONS.

35 B. NOTWITHSTANDING SECTION 48-5502 AND EXCEPT AS PROVIDED IN SECTION
36 48-5501.01, SUBSECTION B, THE BOARD OF DIRECTORS OF A SPECIAL HEALTH CARE
37 DISTRICT SHALL BE ELECTED PURSUANT TO TITLE 16 AND SHALL CONSIST OF FIVE
38 MEMBERS, ONE FROM EACH SUPERVISORIAL DISTRICT OF THE COUNTY IN WHICH THE
39 DISTRICT IS LOCATED. A MEMBER OF THE BOARD OF DIRECTORS SHALL COMPLY WITH
40 ALL OF THE FOLLOWING:

41 1. A MEMBER SHALL BE A QUALIFIED ELECTOR OF THE SUPERVISORIAL DISTRICT
42 FROM WHICH THE MEMBER IS ELECTED.

43 2. A MEMBER SHALL NOT BE AN ELECTED OR APPOINTED STATE OR COUNTY
44 OFFICIAL OR A PERSON WHO SERVES ON A HOSPITAL BOARD ESTABLISHED PURSUANT TO

1 SECTION 36-183.01 AND WHO IS NOT A MEMBER OF THE BOARD OF SUPERVISORS OF THE
2 COUNTY IN WHICH THE DISTRICT IS LOCATED.

3 3. A MEMBER SHALL NOT BE AN EMPLOYEE OF THE SPECIAL HEALTH CARE
4 DISTRICT OR A DIRECTOR, OFFICER OR EMPLOYEE OF ANOTHER HEALTH CARE
5 INSTITUTION.

6 C. FOR AT LEAST TEN YEARS AFTER THE DATE THAT THE DISTRICT FIRST
7 OPERATES A GENERAL HOSPITAL AND WITHIN THREE MILES OF THE LOCATION OF A
8 GENERAL HOSPITAL OPERATED BY THE COUNTY IN WHICH THE DISTRICT IS LOCATED, THE
9 DISTRICT SHALL PROVIDE THE FOLLOWING SERVICES COMMENSURATE WITH GOOD BUSINESS
10 PRACTICES:

11 1. EMERGENCY AND TRAUMA SERVICES AND SHALL OPERATE A GENERAL HOSPITAL
12 AND A BURN CENTER, ALL AT A LEVEL OF SERVICE NO LOWER THAN THAT WHICH EXISTED
13 ON JANUARY 1, 2003.

14 2. MATERNITY SERVICES AT LEVELS REQUIRED OF PUBLIC HOSPITALS PURSUANT
15 TO TITLE XIX OF THE SOCIAL SECURITY ACT.

16 D. FOLLOWING THE EXPIRATION OF THE TEN YEAR PERIOD PRESCRIBED BY
17 SUBSECTION C OF THIS SECTION, THE DISTRICT MAY PROVIDE ANY OF THE SERVICES
18 OR OPERATE ANY OF THE FACILITIES PERMITTED UNDER THIS CHAPTER.

19 E. NOTHING IN THIS CHAPTER ESTABLISHES A LEGAL ENTITLEMENT TO SERVICES
20 OR REIMBURSEMENT FOR SERVICES FOR ANY PERSON OR THIRD PARTY OR OBLIGATES THE
21 DISTRICT TO PROVIDE PROGRAMS OR SERVICES THAT IT CANNOT PROVIDE AS THE RESULT
22 OF ACTIONS OF THIRD PARTIES. THE PROVISIONS OF THIS SECTION SHALL BE
23 INCLUDED IN ANY LEASE OR MANAGEMENT AGREEMENT FOR THE GENERAL HOSPITAL OF THE
24 DISTRICT, AND ANY SALE, LEASE OR MANAGEMENT AGREEMENT SHALL NOT AFFECT THE
25 STATUS OF THE HOSPITAL AS A PUBLIC HOSPITAL.

26 F. UNTIL TEN YEARS AFTER THE DATE THAT THE DISTRICT FIRST OPERATES A
27 GENERAL HOSPITAL, THE FOLLOWING APPLY:

28 1. THE DISTRICT MAY NOT CONSTRUCT AN ADDITIONAL GENERAL HOSPITAL
29 OUTSIDE THE THREE MILE RADIUS OF A GENERAL HOSPITAL OPERATED BY THE COUNTY.
30 AFTER THE EXPIRATION OF THE TEN YEAR PERIOD, THE DISTRICT MAY NOT CONSTRUCT
31 A GENERAL HOSPITAL OUTSIDE A THREE MILE RADIUS OF THE GENERAL HOSPITAL
32 OPERATED BY THE COUNTY WITHOUT THE APPROVAL OF THE QUALIFIED ELECTORS OF THE
33 ENTIRE COUNTY PURSUANT TO AN ELECTION CALLED BY THE BOARD OF DIRECTORS OF THE
34 DISTRICT.

35 2. THE DISTRICT MAY NOT ACQUIRE OR LEASE A GENERAL HOSPITAL THAT IS
36 SITUATED BEYOND THE THREE MILE RADIUS OF THE GENERAL HOSPITAL OPERATED BY THE
37 COUNTY WITHOUT THE APPROVAL OF THE QUALIFIED ELECTORS OF THE ENTIRE COUNTY
38 PURSUANT TO AN ELECTION CALLED BY THE BOARD OF DIRECTORS OF THE DISTRICT.

39 3. EXCEPT FOR A PSYCHIATRIC HOSPITAL OR A BEHAVIORAL HEALTH FACILITY,
40 THE DISTRICT MAY NOT CONSTRUCT, ACQUIRE OR LEASE A SPECIALTY HOSPITAL THAT
41 IS LOCATED OUTSIDE THE THREE MILE RADIUS OF A GENERAL HOSPITAL OPERATED BY
42 THE COUNTY.

43 G. NOTWITHSTANDING SECTION 48-5541, PARAGRAPH 5, FOR A PERIOD OF TEN
44 YEARS AFTER THE DATE THAT THE DISTRICT FIRST OPERATES A GENERAL HOSPITAL, A
45 DISTRICT MAY OWN, OPERATE, LEASE, MANAGE OR MAINTAIN NO MORE THAN THREE

1 OUTPATIENT SURGICAL CENTERS AS DEFINED IN SECTION 36-401, IF ALL OF THE
2 FOLLOWING APPLY:

3 1. ONE OF THE OUTPATIENT SURGICAL CENTERS IS LOCATED AT THE CAMPUS OF
4 A GENERAL HOSPITAL OPERATED BY THE DISTRICT.

5 2. ANY OTHER SURGICAL CENTERS ARE LOCATED AT HEALTH CARE INSTITUTIONS
6 AS DEFINED IN SECTION 36-401 THAT WERE OPERATED BY THE COUNTY IN WHICH THE
7 DISTRICT IS LOCATED ON JANUARY 1, 2003.

8 3. ALL SURGICAL CENTERS ARE OPERATED IN FURTHERANCE OF THE DISTRICT'S
9 MISSION AS PRESCRIBED BY SUBSECTION H OF THIS SECTION.

10 H. A DISTRICT SHALL OPERATE A GENERAL HOSPITAL FOR THE TERM OF ANY TAX
11 AUTHORIZED PURSUANT TO SECTION 48-5565, AND THE DISTRICT'S PRIMARY BUT NOT
12 SOLE MISSION IS AS PROVIDED IN THIS SUBSECTION AND MET BY PROVIDING DIRECTLY
13 AT ITS FACILITIES OR BY CONTRACT MEDICAL EDUCATION PROGRAMS, EMERGENCY AND
14 OTHER SERVICES AS REQUIRED BY THIS CHAPTER, SERVICES TO THE MEDICALLY
15 UNDERSERVED AND FACILITIES AND EQUIPMENT NECESSARY FOR THESE SERVICES. THE
16 DISTRICT'S ANNUAL EXPENDITURES TO SATISFY THE REQUIREMENTS OF THIS SUBSECTION
17 SHALL BE TO THE EXTENT OF THE AMOUNT OF TAXES APPROVED BY THE QUALIFIED
18 ELECTORS, AUTHORIZED BY THE BOARD OF DIRECTORS OF THE DISTRICT AND AVAILABLE
19 PURSUANT TO SECTIONS 48-5563 AND 48-5565.

20 I. THE DISTRICT AND THE COUNTY MAY NOT SIMULTANEOUSLY OPERATE A
21 GENERAL HOSPITAL, AND A DISTRICT MAY NOT OPERATE AN AMBULANCE SERVICE
22 PURSUANT TO SECTION 48-5564.

23 J. IF A DISTRICT CHOOSES TO ACQUIRE OR LEASE FROM A COUNTY AN ASSET
24 OF A HEALTH SYSTEM AS DEFINED IN SECTION 11-1401, THE BOARD OF SUPERVISORS
25 OF THAT COUNTY, BY A MAJORITY VOTE, MAY CONVEY, SELL, LEASE OR OTHERWISE
26 TRANSFER TITLE TO ANY SUCH ASSET OF A HEALTH SYSTEM TO THE DISTRICT AND
27 TRANSFER ANY HEALTH SYSTEM LIABILITY AS DEFINED IN SECTION 11-1401 TO THE
28 DISTRICT.

29 K. A DISTRICT MAY:

30 1. RAISE CAPITAL, BORROW AND INVEST MONIES, CREATE DEBT, ASSUME DEBT
31 AND REFINANCE DEBT TO CARRY OUT THE PURPOSES OF THIS CHAPTER.

32 2. ISSUE TAX ANTICIPATION NOTES PURSUANT TO TITLE 35, CHAPTER 3,
33 ARTICLE 3.1.

34 3. ISSUE REVENUE ANTICIPATION NOTES PURSUANT TO TITLE 35, CHAPTER 3,
35 ARTICLE 3.3.

36 4. ISSUE REVENUE BONDS IN A MANNER CONSISTENT WITH CHAPTER 12, ARTICLE
37 5 OF THIS TITLE.

38 L. NOTWITHSTANDING SECTION 48-5542, A DISTRICT SHALL NOT LEASE ANY
39 GENERAL HOSPITAL THAT IT OPERATES TO ANY ENTITY OTHER THAN A POLITICAL
40 SUBDIVISION OF THIS STATE UNTIL TWO YEARS AFTER THE RECEIPT OF ANY SPECIAL
41 PAYMENTS.

42 M. SUBJECT TO THE OTHER PROVISIONS IN THIS CHAPTER, THE DISTRICT:

43 1. SHALL ADOPT ADMINISTRATIVE RULES, INCLUDING AN EMPLOYEE MERIT
44 SYSTEM FOR ITS EMPLOYEES, AND SHALL ADOPT AND ADMINISTER COMPETITIVE

1 PROCUREMENT RULES NECESSARY TO ADMINISTER AND OPERATE THE DISTRICT'S PROGRAMS
2 AND ANY PROPERTY.

3 2. MAY EMPLOY OR CONTRACT WITH INDIVIDUALS OR OTHER ENTITIES,
4 INCLUDING THE COUNTY ATTORNEY, TO PROVIDE SERVICES IN FURTHERANCE OF THE
5 PURPOSES OF THE DISTRICT.

6 3. MAY ESTABLISH OR ACQUIRE FOUNDATIONS OR CHARITABLE ORGANIZATIONS
7 TO SOLICIT DONATIONS, FINANCIAL CONTRIBUTIONS, REAL OR PERSONAL PROPERTY OR
8 SERVICES FOR USE SOLELY TO PERFORM THE DUTIES AND OBLIGATIONS IN FURTHERANCE
9 OF THE DISTRICT.

10 4. SHALL DISCLOSE AND MAKE AVAILABLE RECORDS AND OTHER MATTERS IN THE
11 SAME MANNER AS IS REQUIRED OF A PUBLIC BODY PURSUANT TO TITLE 39, CHAPTER 1,
12 EXCEPT THAT THE DISTRICT IS NOT REQUIRED TO DISCLOSE OR MAKE AVAILABLE ANY
13 RECORDS OR OTHER MATTERS THAT:

14 (a) IDENTIFY THE CARE OR TREATMENT OF A PATIENT WHO RECEIVES SERVICES,
15 INCLUDING BILLING INFORMATION, UNLESS THE PATIENT OR THE PATIENT'S
16 REPRESENTATIVE CONSENTS TO THE DISCLOSURE IN WRITING OR UNLESS OTHERWISE
17 PERMITTED PURSUANT TO FEDERAL OR STATE LAW.

18 (b) REVEAL PROPRIETARY INFORMATION PROVIDED TO THE DISTRICT BY A
19 NONGOVERNMENTAL SOURCE. FOR THE PURPOSES OF THIS SUBDIVISION,
20 "NONGOVERNMENTAL" MEANS AN ENTITY OTHER THAN THE UNITED STATES GOVERNMENT OR
21 A PUBLIC BODY AS DEFINED IN SECTION 39-121.01.

22 (c) WOULD CAUSE DEMONSTRABLE AND MATERIAL HARM AND WOULD PLACE THE
23 DISTRICT AT A COMPETITIVE DISADVANTAGE IN THE MARKETPLACE.

24 (d) WOULD VIOLATE ANY EXCEPTION, PRIVILEGE OR CONFIDENTIALITY GRANTED
25 OR IMPOSED BY STATUTE OR COMMON LAW.

26 N. A DISTRICT IS ENTITLED TO A LIEN FOR THE CHARGES FOR ANY SERVICES
27 PROVIDED BY A HOSPITAL OPERATED BY THE DISTRICT, FOR MEDICAL CARE AND
28 TREATMENT OF AN INJURED PERSON OR FOR LONG-TERM CARE SERVICES, ON ANY AND ALL
29 CLAIMS OF LIABILITY OR INDEMNITY FOR DAMAGES ACCRUING TO THE PERSON TO WHOM
30 HOSPITAL OR MEDICAL SERVICE IS RENDERED, OR TO THE LEGAL REPRESENTATIVE OF
31 SUCH PERSON, ON ACCOUNT OF INJURIES GIVING RISE TO SUCH CLAIMS AND THAT
32 NECESSITATED THE HOSPITAL OR MEDICAL CARE AND TREATMENT. RECOVERY OF CHARGES
33 PURSUANT TO THIS SUBSECTION SHALL BE IN A MANNER AS NEARLY AS POSSIBLE THE
34 SAME AS THE PROCEDURES PRESCRIBED IN SECTION 36-2915.

35 Sec. 18. Section 48-5542, Arizona Revised Statutes, is amended to
36 read:

37 48-5542. Purchasing and leasing property and equipment

38 The board of directors may:

39 1. Purchase surgical instruments, hospital equipment, urgent care
40 equipment, medical clinic equipment, nursing care equipment, ambulance
41 equipment and other property and supplies necessary for equipping the
42 district's facilities and operations.

43 2. Purchase real property.

44 3. Erect or rent and equip buildings or rooms necessary for the
45 district's facilities and operations.

1 4. Lease the hospital, any FREESTANDING urgent care center, any
2 medical clinic or any nursing care center INSTITUTION and their respective
3 equipment to any person or corporation to conduct a health care facility on
4 such terms and conditions as the board of directors considers to be
5 beneficial to the district.

6 Sec. 19. Section 48-5543, Arizona Revised Statutes, is amended to
7 read:

8 48-5543. Lease provisions

9 A lease of the hospital, an A FREESTANDING urgent care center, a
10 medical clinic or a nursing care center INSTITUTION and their equipment
11 shall:

12 1. Extend for a term of at least one year but not more than twenty
13 years to be determined by the board of directors.

14 2. Be executed to a nonprofit corporation organized under title 10,
15 chapters 24 through 40 for the purpose of conducting a hospital, an A
16 FREESTANDING urgent care center, a medical clinic or a nursing care center
17 INSTITUTION, combined hospital, nursing care center INSTITUTION and ambulance
18 service or a combined FREESTANDING urgent care center and ambulance service.

19 3. Provide for rent on terms and in an amount that are determined to
20 be reasonable by the board OF DIRECTORS.

21 Sec. 20. Section 48-5544, Arizona Revised Statutes, is amended to
22 read:

23 48-5544. Cancellation of lease for failure to pay rent;
24 authority to lease again; auction

25 A. If a lessee of the hospital, FREESTANDING urgent care center,
26 medical clinic or nursing care center INSTITUTION and their equipment fails
27 to make the payment of rental required by the lease, the board of directors,
28 at its option, may cancel the lease for the failure.

29 B. If there is no lease or the lease is cancelled and the board of
30 directors is then unable to again lease the hospital, FREESTANDING urgent
31 care center, medical clinic or nursing care center INSTITUTION and their
32 equipment to a lessee qualified under this article at a rent that is
33 sufficient to provide a fair return to the district, the board of directors
34 shall:

35 1. At least annually at public auction, offer to lease the hospital,
36 FREESTANDING urgent care center, medical clinic or nursing care center
37 INSTITUTION and their equipment to the highest responsible and qualified
38 bidder for such term as the board of directors prescribes.

39 2. Lease the hospital, FREESTANDING urgent care center, medical clinic
40 or nursing care center INSTITUTION and their equipment to the bidder who bids
41 the highest rental for the prescribed period.

42 C. Notice of the auction shall be given in a newspaper of general
43 circulation in the district at least once each week for four weeks
44 immediately preceding the auction.

1 Sec. 21. Section 48-5562, Arizona Revised Statutes, is amended to
2 read:

3 48-5562. Disposition and use of rental receipts from facilities
4 and equipment

5 Rental revenues, if any, received from the lease of a hospital,
6 FREESTANDING urgent care center, medical clinic or nursing care center
7 INSTITUTION and their equipment shall be applied first against expenses of
8 the district, other than for principal and interest on bonds of the district,
9 and secondly to the payment of principal and interest on issued and
10 outstanding bonds.

11 Sec. 22. Section 48-5563, Arizona Revised Statutes, is amended to
12 read:

13 48-5563. Budget and tax levy

14 A. On or before July 15 of each year, the board of directors shall
15 furnish to the board of supervisors a report of the operation of the district
16 for the past year and a written statement of the amount of money needed to
17 be raised by taxation during the next fiscal year for all operating purposes
18 of the district, including maintaining and operating the district's
19 facilities, payments for professional and other services to the district,
20 debt service, INCLUDING PRINCIPAL AND INTEREST ON ANY BONDS ISSUED AND
21 OUTSTANDING PURSUANT TO SECTION 48-5566 AND INTERGOVERNMENTAL TRANSFERS IN
22 CONNECTION WITH SPECIAL PAYMENTS, and any other purpose required or
23 authorized by this chapter.

24 B. The board of supervisors shall thereupon levy on the taxable
25 property in the district a secondary tax that, together with other monies on
26 hand or that will accrue during the ensuing fiscal year, exclusive of
27 reserves AND TAXES LEVIED IN CONNECTION WITH BONDS ISSUED PURSUANT TO SECTION
28 48-5566, will provide sufficient revenues to meet the financial needs of the
29 district as provided in subsection A OF THIS SECTION.

30 C. The secondary tax shall be computed, entered on the tax rolls and
31 collected in the same manner as other secondary property taxes in the county
32 in which the district is located. Monies collected on behalf of the district
33 shall be remitted promptly to and shall be handled by the county treasurer
34 as other special district monies are handled.

35 Sec. 23. Section 48-5565, Arizona Revised Statutes, is amended to
36 read:

37 48-5565. Tax levy for district expenses

38 A. A special health care district shall certify to the county board
39 of supervisors an amount to levy as a secondary property tax on all taxable
40 property in the district for EXPENSES OF THE DISTRICT, FOR maintaining and
41 operating the district's facilities and for payments for professional and
42 other services to the district.

43 B. Before the initial imposition of such a tax a majority of the
44 qualified electors voting in a regular or special election must approve the
45 initial imposition. The continued imposition of the tax must be approved by

1 a majority of the qualified electors voting in a regular or special election
2 at least every five TWENTY years after the date of the initial imposition.

3 C. The amount of a levy under this section shall not exceed the
4 greater of:

5 1. Six hundred thousand dollars, adjusted annually from a 1989 base
6 year according to the health services component of the metropolitan Phoenix
7 consumer price index published by the bureau of business and economic
8 research, college of business administration, Arizona state university, or
9 its successor.

10 2. AN AMOUNT EQUAL TO ten per cent of the district's total expenses
11 for all purposes required or authorized by this chapter and incurred in the
12 fiscal year ending immediately before the levy.

13 D. NOTWITHSTANDING SUBSECTION C OF THIS SECTION, FOR A DISTRICT THAT
14 IS SUBJECT TO SECTION 48-5541.01, THE AMOUNT OF A LEVY UNDER THIS SECTION FOR
15 THE FIRST YEAR IN WHICH THE TAX AUTHORIZED PURSUANT TO SECTIONS 48-5563 AND
16 48-5565 IS LEVIED SHALL NOT EXCEED FORTY MILLION DOLLARS. THEREAFTER, THE
17 AMOUNT OF A LEVY UNDER THIS SECTION SHALL NOT EXCEED AN AMOUNT EQUAL TO FORTY
18 MILLION DOLLARS ADJUSTED ANNUALLY FROM THE FIRST YEAR IN WHICH THE TAX IS
19 LEVIED, BASED ON A PERCENTAGE EQUAL TO THE RATE OF CHANGE IN THE LEVY LIMIT
20 BETWEEN THE CURRENT YEAR AND THE PRIOR YEAR FOR THE COUNTY IN WHICH THE
21 DISTRICT IS LOCATED AS DETERMINED PURSUANT TO SECTION 42-17051.

22 Sec. 24. Section 48-5570, Arizona Revised Statutes, is amended to
23 read:

24 48-5570. Capital outlay fund

25 A. The board of directors may establish a fund for capital
26 outlays. After a capital outlay fund is established, the board of directors
27 may transfer to the fund any unencumbered surplus monies remaining on hand
28 in the district at the end of a fiscal year.

29 B. If a capital outlay fund is established, it shall be used only for
30 capital outlay purposes, but if the board OF DIRECTORS finds that the fund
31 is no longer necessary or that monies remain in the fund that are no longer
32 required for capital outlay purposes, the board OF DIRECTORS, by a
33 four-fifths vote of all members, may discontinue the fund or transfer as much
34 of it as is no longer required for capital outlay purposes to the payment of
35 outstanding bonds, or if there are none, to any fund for payment of current
36 expenses of the district.

37 Sec. 25. County hospital closure; condition; election

38 On the effective date of this act, a county that is subject to section
39 48-5541.01, Arizona Revised Statutes, as added by this act, may not close a
40 general hospital that it operates until there is an election held pursuant
41 to section 48-5501.01, Arizona Revised Statutes, as added by this act. If
42 the qualified electors of the county do not approve the formation of a
43 special health care district pursuant to title 48, chapter 31, Arizona
44 Revised Statutes, the county in which the election is held may close any
45 hospital that the county operates, notwithstanding Laws 2001, chapter 344,

1 sections 111 and 112. If the county plans to close the general hospital that
2 it operates, the county shall give notice of the planned closure to the
3 Arizona health care cost containment system administration at least twelve
4 months before the date of closure.

5 Sec. 26. Special payments to a special health care district;
6 transfers; county treasurer; state treasurer

7 A. For a special health care district that is organized pursuant to
8 title 48, chapter 31, Arizona Revised Statutes, and that constructs a general
9 hospital or acquires or leases a general hospital from a county pursuant to
10 this act, the following applies:

11 1. Notwithstanding section 48-5561, Arizona Revised Statutes, if the
12 hospital receives special payments pursuant to section 36-2903.01, subsection
13 P, Arizona Revised Statutes, the county treasurer of the county in which the
14 district is located shall withdraw monies from the monies of the district on
15 deposit with the county treasurer and transfer those monies to the county
16 general fund.

17 2. The amount of those monies transferred shall be determined by the
18 staff director of the joint legislative budget committee based on the annual
19 legislative appropriation for special payments and contained in a notice from
20 the governor. The transfer shall be made on the date or dates specified in
21 the notice from the governor.

22 B. If the county treasurer for the county in which the district is
23 located is unable to make any portion of the transfer of monies required by
24 subsection A of this section, the county treasurer shall notify the state
25 treasurer and the state treasurer shall cease to withhold any revenues of the
26 county in which the district is located related to the distribution of
27 special payments made pursuant to section 36-2903.01, subsection P, Arizona
28 Revised Statutes.

29 C. If the state treasurer ceases to withhold revenues pursuant to
30 subsection B of this section and if the amount of revenues previously
31 withheld by the state treasurer exceeds the amount of transferred monies
32 required by subsection A of this section, the state treasurer shall credit
33 future amounts to be withheld from transaction privilege tax revenues of the
34 county in which the district located in an amount equal to the difference.

35 Sec. 27. Services purchased by county from certain special
36 health care districts

37 In a county with a special health care district that is subject to
38 section 48-5541.01, Arizona Revised Statutes, as added by this act, the
39 county shall purchase services from the special health care district in an
40 amount of at least five million dollars per year for the term of any tax that
41 is authorized for that special health care district pursuant to section
42 48-5565, Arizona Revised Statutes.

~~APPROVED BY THE GOVERNOR JUNE 26, 2003.~~

~~FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 26, 2003.~~

Passed the House May 16, 2003,

Passed the Senate June 18, 2003,

by the following vote: 44 Ayes,

by the following vote: 23 Ayes,

13 Nays, 3 Not Voting

4 Nays, 3 Not Voting

Jake Flake
Speaker of the House

Ken Bennett
President of the Senate

Thomas L. Moore
Chief Clerk of the House

Charmine Billington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this
18 day of June, 2003,

at 12:13 o'clock P. M.

Sandra Jamesee
Secretary to the Governor

Approved this 26 day of

June, 2003,

at 2:00 o'clock P. M.

Jan Brewer
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this 26 day of June, 2003

at 3:53 o'clock P. M.
Janice K. Brewer
Secretary of State