House Engrossed

FILED
MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 122

HOUSE BILL 2704

AN ACT

AMENDING SECTION 36-108.01, ARIZONA REVISED STATUTES; AMENDING SECTION 36-108.01, ARIZONA REVISED STATUTES, AS AMENDED BY THIS ACT; AMENDING SECTIONS 36-774 AND 36-2001, ARIZONA REVISED STATUTES; REPEALING SECTION 36-2002, ARIZONA REVISED STATUTES; AMENDING SECTIONS 36-2003, 36-2004 AND 36-2005, ARIZONA REVISED STATUTES; REPEALING SECTION 36-2907, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2015, CHAPTER 195, SECTION 57; AMENDING SECTION 36-2907, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2015, CHAPTER 264, SECTION 1; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 36-2930.02, 36-2930.03 AND 36-2930.04; AMENDING SECTION 36-2939, ARIZONA REVISED STATUTES; AMENDING LAWS 2015, CHAPTER 14, SECTION 24; REPEALING LAWS 2015, CHAPTER 14, SECTION 26; APPROPRIATING MONIES; RELATING TO HEALTH BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 36-108.01, Arizona Revised Statutes, is amended to read:

36-108.01. Department of health services funds; purposes; annual report

A. The interagency service agreement for behavioral health services fund is established consisting of state and federal monies received by the department to provide behavioral health services, except for monies for non-title XIX behavioral health services. The department shall administer the fund. THE DEPARTMENT MAY USE MONIES IN THE FUND ONLY TO PAY FOR TITLE XIX BEHAVIORAL HEALTH SERVICE CLAIMS FOR SERVICES PROVIDED ON OR BEFORE JUNE 30, 2016. Monies in the fund are continuously appropriated.

~~B. The intergovernmental agreements for county behavioral health services fund is established consisting of county monies received by the department to provide behavioral health services to persons identified through agreements with the counties. The department shall administer the fund. Monies in the fund are continuously appropriated.~~

~~C.~~ B. The health services lottery monies fund is established consisting of monies transferred pursuant to section 5-572, subsection C for teenage pregnancy prevention programs established by Laws 1995, chapter 190, sections 2 and 3, the health start program established by section 36-697 and the federal women, infants and children food program. The department shall administer the fund. Monies in the fund are continuously appropriated.

~~D.~~ C. The intergovernmental agreements/interagency services agreements fund is established consisting of all monies received by the department through intergovernmental agreements, interagency services agreements and transfers between the department and other state and local entities. The department shall administer the fund. Monies in the fund are continuously appropriated.

~~E.~~ D. Beginning November 1, 2015, the department shall report annually to the joint legislative budget committee on the revenues, expenditures and ending balances from the previous, current and subsequent fiscal years of the funds established in this section.

Sec. 2. Section 36-108.01, Arizona Revised Statutes, as amended by section 1 of this act, is amended to read:

36-108.01. Department of health services funds; purposes; annual report

~~A. The interagency service agreement for behavioral health services fund is established consisting of state and federal monies received by the department to provide behavioral health services, except for monies for non-title XIX behavioral health services. The department shall administer the fund. The department may use monies in the fund only to pay for title XIX behavioral health service claims for services provided on or before June 30, 2016. Monies in the fund are continuously appropriated.~~

~~B.~~ A. The health services lottery monies fund is established consisting of monies transferred pursuant to section 5-572, subsection C for teenage pregnancy prevention programs established by Laws 1995, chapter 190, sections 2 and 3, the health start program established by section 36-697 and the federal women, infants and children food program. The department shall administer the fund. Monies in the fund are continuously appropriated.

~~C.~~ B. The intergovernmental agreements/interagency services agreements fund is established consisting of all monies received by the department through intergovernmental agreements, interagency services agreements and transfers between the department and other state and local entities. The department shall administer the fund. Monies in the fund are continuously appropriated.

~~D.~~ C. ~~Beginning November 1, 2015,~~ The department shall report annually to the joint legislative budget committee on the revenues, expenditures and ending balances from the previous, current and subsequent fiscal years of the funds established in this section.

Sec. 3. Section 36-774, Arizona Revised Statutes, is amended to read:

36-774. Medically needy account; definition

A. Seventy cents of each dollar in the tobacco tax and health care fund shall be deposited in the medically needy account to provide health care OR BEHAVIORAL HEALTH CARE services to persons who are determined to be eligible for services pursuant to section 36-2901 OR 36-2901.01 ~~or 36-2901.04~~ as provided by the Arizona health care cost containment system pursuant to chapter 29, article 1 of this title, OR ANY OTHER STATUTE, or any expansion of that program or any substantially equivalent or expanded successor program established by the legislature providing health care OR BEHAVIORAL HEALTH CARE services to persons who cannot afford those services and for whom there would otherwise be no coverage. These services shall include preventive care and the treatment of catastrophic illness or injury, as provided by the Arizona health care cost containment system.

B. The Arizona health care cost containment system administration or any successor shall administer the account.

C. Monies that are deposited in the medically needy account:

1. Shall only be used to supplement monies that are appropriated by the legislature for the purpose of providing levels of service that are established pursuant to chapter 29, article 1 of this title to eligible persons as defined in section 36-2901 or any expansion of those levels of service, or for any successor program established by the legislature providing levels of service that are substantially equivalent to, or expanding, those provided pursuant to chapter 29, article 1 of this title to eligible persons.

2. Shall not be used to supplant monies that are appropriated by the legislature for the purpose of providing levels of service established pursuant to chapter 29, article 1 of this title.

D. For purposes of this section, "levels of service" means the provider payment methodology, eligibility criteria and covered services established pursuant to chapter 29, article 1 of this title in effect on July 1, 1993.

Sec. 4. Section 36-2001, Arizona Revised Statutes, is amended to read:

36-2001. Addictive behavior services

The ~~director of the department of health services~~ ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION shall establish services for addictive behavior, including alcohol abuse and drug abuse.

Sec. 5. Repeal

Section 36-2002, Arizona Revised Statutes, is repealed.

Sec. 6. Section 36-2003, Arizona Revised Statutes, is amended to read:

36-2003. Powers and duties

A. The ~~director~~ ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION may:

~~1. Request recommendations or studies in specific areas from the interagency coordinating council.~~

~~2.~~ 1. Accept grants, matching funds and direct payments from public or private agencies for the conduct of programs and activities.

~~3.~~ 2. Make contracts and incur obligations as are reasonably necessary to perform the duties and functions of addictive behavior services.

~~4.~~ 3. Employ and specify the duties of administrative, secretarial and clerical assistants, and contract for services of outside consultants, advisors and aides as are necessary to perform such duties and functions.

~~5.~~ 4. Use funds, facilities and services to provide matching contributions under federal or other programs ~~which~~ THAT further the objectives and programs of the ~~department~~ ADMINISTRATION.

~~6.~~ 5. Make such rules ~~and regulations~~ as are necessary or desirable to carry out assigned responsibilities.

~~7.~~ 6. Provide for appropriate programs of treatment and rehabilitation consisting of halfway house treatment centers, detoxification centers, recovery centers and inpatient and outpatient and traveling clinics.

B. The ~~director~~ ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION shall:

1. Provide for and implement a uniform training and educational program for persons who are associated with control of alcohol abuse and drug abuse, prevention, rehabilitation, treatment or enforcement. Only for the purpose of funding such training and educational programs, "alcohol abuse" and "drug abuse" shall be considered to be one and the same.

2. Formulate policies, plans and programs designed to effectuate the purposes of this article.

3. Stimulate and encourage all local, state, regional and federal governmental agencies, and all private persons and enterprises ~~which~~ THAT have similar and related objectives and purposes, and cooperate with such agencies, persons and enterprises and correlate ~~department~~ ARIZONA HEALTH

CARE COST CONTAINMENT SYSTEM plans, programs and operations with those of such agencies, persons and enterprises.

4. Conduct research on ~~his~~ THE ADMINISTRATION'S own initiative or at the request of the governor, the legislature or state or local agencies~~,~~ pertaining to any of the section objectives.

5. Provide information and advice on request by local, state and federal agencies and by private citizens and business enterprises on matters within the scope of section activities.

6. Advise with and make recommendations to the governor and the legislature on all matters concerning ~~its~~ THE ADMINISTRATION'S objectives.

7. Provide for an ongoing evaluation of the effectiveness of state and local services in the areas of alcohol and drug abuse prevention, treatment, rehabilitation, education and enforcement.

8. Evaluate and make recommendations on improving the coordination and cooperation between state and local agencies and programs for prevention, treatment, rehabilitation, enforcement and other areas of control of drug abuse and alcohol abuse.

9. Prepare a state plan or state plans to discharge assigned responsibilities. ~~Such~~ THE plan or plans shall include programs for alcohol abuse control and drug abuse control.

Sec. 7. Section 36-2004, Arizona Revised Statutes, is amended to read:

36-2004. Designation to administer state plan

The ~~department~~ ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM is designated as the single state agency to develop and administer the state plans for alcohol and drug abuse and for alcoholism as provided in Public Law 91-616.

Sec. 8. Section 36-2005, Arizona Revised Statutes, is amended to read:

36-2005. Substance abuse services fund; purpose; administration

A. The substance abuse services fund is established. The fund shall consist of monies collected pursuant to section 12-116.02 and distributed pursuant to section 36-2219.01.

B. Subject to legislative appropriation, the ~~director of the department~~ ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION shall administer the fund and may expend monies in the fund for administration of the fund and for alcohol and other drug screening, education or treatment for persons who have been ordered by the court to attend pursuant to sections 5-395.01, ~~8-249~~ 8-343, 28-1381, 28-1382 and 28-1383 and who do not have sufficient financial ability to pay. Monies deposited pursuant to section 36-2219.01, SUBSECTION B, paragraph 4 are subject to legislative appropriation and shall be accounted for separately for use in administering ~~the provisions of~~ section 36-141.

C. Monies in the substance abuse services fund are exempt from the provisions of section 35-190 relating to lapsing appropriations.

Sec. 9. Repeal

Section 36-2907, Arizona Revised Statutes, as amended by Laws 2015, chapter 195, section 57, is repealed.

Sec. 10. Section 36-2907, Arizona Revised Statutes, as amended by Laws 2015, chapter 264, section 1, is amended to read:

36-2907. Covered health and medical services; modifications; related delivery of service requirements; definition

A. Subject to the limitations and exclusions specified in this section, contractors shall provide the following medically necessary health and medical services:

1. Inpatient hospital services that are ordinarily furnished by a hospital for the care and treatment of inpatients and that are provided under the direction of a physician or a primary care practitioner. For the purposes of this section, inpatient hospital services exclude services in an institution for tuberculosis or mental diseases unless authorized under an approved section 1115 waiver.

2. Outpatient health services that are ordinarily provided in hospitals, clinics, offices and other health care facilities by licensed health care providers. Outpatient health services include services provided by or under the direction of a physician or a primary care practitioner.

3. Other laboratory and x-ray services ordered by a physician or a primary care practitioner.

4. Medications that are ordered on prescription by a physician or a dentist licensed pursuant to title 32, chapter 11. Persons who are dually eligible for title XVIII and title XIX services must obtain available medications through a medicare licensed or certified medicare advantage prescription drug plan, a medicare prescription drug plan or any other entity authorized by medicare to provide a medicare part D prescription drug benefit.

5. Medical supplies, durable medical equipment, insulin pumps and prosthetic devices ordered by a physician or a primary care practitioner. Suppliers of durable medical equipment shall provide the administration with complete information about the identity of each person who has an ownership or controlling interest in their business and shall comply with federal bonding requirements in a manner prescribed by the administration.

6. For persons who are at least twenty-one years of age, treatment of medical conditions of the eye, excluding eye examinations for prescriptive lenses and the provision of prescriptive lenses.

7. Early and periodic health screening and diagnostic services as required by section 1905(r) of title XIX of the social security act for members who are under twenty-one years of age.

8. Family planning services that do not include abortion or abortion counseling. If a contractor elects not to provide family planning services, this election does not disqualify the contractor from delivering all other covered health and medical services under this chapter. In that event, the

administration may contract directly with another contractor, including an outpatient surgical center or a noncontracting provider, to deliver family planning services to a member who is enrolled with the contractor that elects not to provide family planning services.

9. Podiatry services THAT ARE PERFORMED BY A PODIATRIST WHO IS LICENSED PURSUANT TO TITLE 32, CHAPTER 7 AND ordered by a primary care physician or primary care practitioner.

10. Nonexperimental transplants approved for title XIX reimbursement.

11. Ambulance and nonambulance transportation, except as provided in subsection G of this section.

12. Hospice care.

13. Orthotics, if all of the following apply:

(a) The use of the orthotic is medically necessary as the preferred treatment option consistent with medicare guidelines.

(b) The orthotic is less expensive than all other treatment options or surgical procedures to treat the same diagnosed condition.

(c) The orthotic is ordered by a physician or primary care practitioner.

B. The limitations and exclusions for health and medical services provided under this section are as follows:

1. Circumcision of newborn males is not a covered health and medical service.

2. For eligible persons who are at least twenty-one years of age:

(a) Outpatient health services do not include occupational therapy or speech therapy.

(b) Prosthetic devices do not include hearing aids, dentures, ~~bone anchored~~ BONE-ANCHORED hearing aids or cochlear implants. Prosthetic devices, except prosthetic implants, may be limited to twelve thousand five hundred dollars per contract year.

(c) Percussive vests ~~and orthotics~~ are not covered health and medical services.

(d) Durable medical equipment is limited to items covered by medicare.

~~(e) Podiatry services do not include services performed by a podiatrist.~~

~~(f)~~ (e) Nonexperimental transplants do not include ~~pancreas only~~ PANCREAS-ONLY transplants.

~~(g)~~ (f) Bariatric surgery procedures, including laparoscopic and open gastric bypass and restrictive procedures, are not covered health and medical services.

C. The system shall pay noncontracting providers only for health and medical services as prescribed in subsection A of this section and as prescribed by rule.

D. The director shall adopt rules necessary to limit, to the extent possible, the scope, duration and amount of services, including maximum limitations for inpatient services that are consistent with federal

regulations under title XIX of the social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section 1396 (1980)). To the extent possible and practicable, these rules shall provide for the prior approval of medically necessary services provided pursuant to this chapter.

E. The director shall make available home health services in lieu of hospitalization pursuant to contracts awarded under this article. For the purposes of this subsection, "home health services" means the provision of nursing services, home health aide services or medical supplies, equipment and appliances that are provided on a part-time or intermittent basis by a licensed home health agency within a member's residence based on the orders of a physician or a primary care practitioner. Home health agencies shall comply with the federal bonding requirements in a manner prescribed by the administration.

F. The director shall adopt rules for the coverage of behavioral health services for persons who are eligible under section 36-2901, paragraph 6, subdivision (a). ~~The administration shall contract with the department of health services for the delivery of all medically necessary behavioral health services to persons who are eligible under rules adopted pursuant to this subsection. The division of behavioral health in the department of health services~~ THE ADMINISTRATION ACTING THROUGH THE REGIONAL BEHAVIORAL HEALTH AUTHORITIES shall establish a diagnostic and evaluation program to which other state agencies shall refer children who are not already enrolled pursuant to this chapter and who may be in need of behavioral health services. In addition to an evaluation, the ~~division of behavioral health~~ ADMINISTRATION ACTING THROUGH REGIONAL BEHAVIORAL HEALTH AUTHORITIES shall also identify children who may be eligible under section 36-2901, paragraph 6, subdivision (a) or section 36-2931, paragraph 5 and shall refer the children to the appropriate agency responsible for making the final eligibility determination.

G. The director shall adopt rules for the provision of transportation services and rules providing for copayment by members for transportation for other than emergency purposes. Subject to approval by the centers for medicare and medicaid services, nonemergency medical transportation shall not be provided except for stretcher vans and ambulance transportation. Prior authorization is required for transportation by stretcher van and for medically necessary ambulance transportation initiated pursuant to a physician's direction. Prior authorization is not required for medically necessary ambulance transportation services rendered to members or eligible persons initiated by dialing telephone number 911 or other designated emergency response systems.

H. The director may adopt rules to allow the administration, at the director's discretion, to use a second opinion procedure under which surgery may not be eligible for coverage pursuant to this chapter without documentation as to need by at least two physicians or primary care practitioners.

I. If the director does not receive bids within the amounts budgeted or if at any time the amount remaining in the Arizona health care cost containment system fund is insufficient to pay for full contract services for the remainder of the contract term, the administration, on notification to system contractors at least thirty days in advance, may modify the list of services required under subsection A of this section for persons defined as eligible other than those persons defined pursuant to section 36-2901, paragraph 6, subdivision (a). The director may also suspend services or may limit categories of expense for services defined as optional pursuant to title XIX of the social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section 1396 (1980)) for persons defined pursuant to section 36-2901, paragraph 6, subdivision (a). Such reductions or suspensions do not apply to the continuity of care for persons already receiving these services.

J. Additional, reduced or modified hospitalization and medical care benefits may be provided under the system to enrolled members who are eligible pursuant to section 36-2901, paragraph 6, subdivision (b), (c), (d) or (e).

K. All health and medical services provided under this article shall be provided in the geographic service area of the member, except:

1. Emergency services and specialty services provided pursuant to section 36-2908.

2. That the director may permit the delivery of health and medical services in other than the geographic service area in this state or in an adjoining state if the director determines that medical practice patterns justify the delivery of services or a net reduction in transportation costs can reasonably be expected. Notwithstanding the definition of physician as prescribed in section 36-2901, if services are procured from a physician or primary care practitioner in an adjoining state, the physician or primary care practitioner shall be licensed to practice in that state pursuant to licensing statutes in that state similar to title 32, chapter 13, 15, 17 or 25 and shall complete a provider agreement for this state.

L. Covered outpatient services shall be subcontracted by a primary care physician or primary care practitioner to other licensed health care providers to the extent practicable for purposes including, but not limited to, making health care services available to underserved areas, reducing costs of providing medical care and reducing transportation costs.

M. The director shall adopt rules that prescribe the coordination of medical care for persons who are eligible for system services. The rules shall include provisions for the transfer of patients, the transfer of medical records and the initiation of medical care.

N. For the purposes of this section, "ambulance" has the same meaning prescribed in section 36-2201.

Sec. 11. Title 36, chapter 29, article 1, Arizona Revised Statutes, is amended by adding sections 36-2930.02, 36-2930.03 and 36-2930.04, to read:

36-2930.02. Intergovernmental agreements for county behavioral health services fund; purpose

THE INTERGOVERNMENTAL AGREEMENTS FOR COUNTY BEHAVIORAL HEALTH SERVICES FUND IS ESTABLISHED CONSISTING OF COUNTY MONIES RECEIVED BY THE ADMINISTRATION TO PROVIDE BEHAVIORAL HEALTH SERVICES TO PERSONS IDENTIFIED THROUGH AGREEMENTS WITH THE COUNTIES. THE ADMINISTRATION SHALL ADMINISTER THE FUND. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED.

36-2930.03. 340B drug pricing; requirements; applicability; report; definitions

A. BEGINNING THE LATER OF JANUARY 1, 2017 OR ON APPROVAL BY THE CENTERS FOR MEDICARE AND MEDICAID SERVICES:

1. 340B COVERED ENTITIES SHALL SUBMIT POINT-OF-SALE PRESCRIPTION AND PHYSICIAN-ADMINISTERED DRUG CLAIMS FOR MEMBERS FOR DRUGS THAT ARE IDENTIFIED IN THE 340B PRICING FILE, WHETHER OR NOT THE DRUGS ARE PURCHASED UNDER THE 340B DRUG PRICING PROGRAM. THE CLAIMS SHALL INCLUDE A PROFESSIONAL FEE AND THE LESSER OF EITHER:

(a) THE ACTUAL ACQUISITION COST.

(b) THE 340B CEILING PRICE.

2. THE ADMINISTRATION OR A CONTRACTOR SHALL REIMBURSE CLAIMS FOR DRUGS THAT ARE IDENTIFIED IN THE 340B PRICING FILE AND THAT ARE DISPENSED BY 340B COVERED ENTITIES OR ADMINISTERED BY 340B COVERED ENTITY PROVIDERS, WHETHER OR NOT THE DRUGS ARE PURCHASED UNDER THE 340B DRUG PRICING PROGRAM, AT THE AMOUNT SUBMITTED PURSUANT TO PARAGRAPH 1 OF THIS SUBSECTION PLUS A PROFESSIONAL FEE AS DETERMINED BY THE ADMINISTRATION UNLESS A CONTRACT BETWEEN THE 340B COVERED ENTITY AND THE ADMINISTRATION OR A CONTRACTOR SPECIFIES A DIFFERENT PROFESSIONAL FEE.

3. THE ADMINISTRATION AND ITS CONTRACTORS MAY NOT REIMBURSE ANY CONTRACTED PHARMACY FOR DRUGS DISPENSED AS PART OF THE 340B DRUG PRICING PROGRAM. THE ADMINISTRATION AND ITS CONTRACTORS SHALL REIMBURSE CONTRACTED PHARMACIES FOR DRUGS THAT ARE NOT PURCHASED, DISPENSED OR ADMINISTERED AS PART OF OR SUBJECT TO THE 340B DRUG PRICING PROGRAM. A CONTRACTED PHARMACY SHALL BE REIMBURSED AT THE PRICE AND PROFESSIONAL FEE SET FORTH IN THE CONTRACT BETWEEN THE CONTRACTED PHARMACY AND THE ADMINISTRATION OR ITS CONTRACTORS.

B. THIS SECTION DOES NOT REQUIRE THE ADMINISTRATION OR ITS CONTRACTORS TO REIMBURSE A PHARMACY THAT DOES NOT HAVE A CONTRACT WITH THE ADMINISTRATION OR ITS CONTRACTORS.

C. THIS SECTION DOES NOT APPLY TO LICENSED HOSPITALS AND OUTPATIENT FACILITIES THAT ARE OWNED OR OPERATED BY A LICENSED HOSPITAL.

D. ON OR BEFORE NOVEMBER 1, 2016, THE ADMINISTRATION SHALL REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE JOINT LEGISLATIVE BUDGET COMMITTEE REGARDING THE TECHNOLOGICAL FEASIBILITY AND COSTS OF APPLYING THIS SECTION TO LICENSED

HOSPITALS AND OUTPATIENT FACILITIES THAT ARE OWNED OR OPERATED BY A LICENSED HOSPITAL.

E. FOR THE PURPOSES OF THIS SECTION:

1. "340B CEILING PRICE" MEANS THE MAXIMUM PRICE THAT DRUG MANUFACTURERS MAY CHARGE COVERED ENTITIES PARTICIPATING IN THE 340B DRUG PRICING PROGRAM AS REPORTED BY THE DRUG MANUFACTURER TO THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES. THE 340B CEILING PRICE PER UNIT IS DEFINED AS THE AVERAGE MANUFACTURER PRICE MINUS THE FEDERAL UNIT REBATE AMOUNT.

2. "340B COVERED ENTITY" MEANS A COVERED ENTITY AS DEFINED BY 42 UNITED STATES CODE SECTION 256b THAT PARTICIPATES IN THE 340B DRUG PRICING PROGRAM.

3. "340B DRUG PRICING PROGRAM" MEANS THE DISCOUNT DRUG PURCHASING PROGRAM DESCRIBED IN 42 UNITED STATES CODE SECTION 256b.

4. "ACTUAL ACQUISITION COST" MEANS THE PURCHASE PRICE OF A DRUG PAID BY A PHARMACY NET OF ALL DISCOUNTS, REBATES, CHARGEBACKS AND OTHER ADJUSTMENTS TO THE PRICE OF THE DRUG, NOT INCLUDING PROFESSIONAL FEES.

5. "ADMINISTRATION" HAS THE SAME MEANING PRESCRIBED IN SECTION 36-2901 AND INCLUDES THE ADMINISTRATION'S CONTRACTED PHARMACY BENEFITS MANAGER.

6. "CONTRACTED PHARMACY" MEANS A SEPARATE PHARMACY WITH WHICH A 340B COVERED ENTITY CONTRACTS TO PROVIDE COMPREHENSIVE PHARMACY SERVICES USING MEDICATIONS THAT ARE SUBJECT TO 340B DRUG PRICING.

7. "CONTRACTOR" HAS THE SAME MEANING PRESCRIBED IN SECTION 36-2901 AND INCLUDES A CONTRACTOR'S PHARMACY BENEFITS MANAGER.

8. "PROFESSIONAL FEE" MEANS THE AMOUNT PAID FOR THE PROFESSIONAL SERVICES PROVIDED BY THE PHARMACIST FOR DISPENSING A PRESCRIPTION. PROFESSIONAL FEE DOES NOT INCLUDE ANY PAYMENT FOR THE DRUG BEING DISPENSED.

36-2930.04. Delivery system reform incentive payment fund; purpose; exemption; expenditure plan review

A. THE DELIVERY SYSTEM REFORM INCENTIVE PAYMENT FUND IS ESTABLISHED. THE FUND SHALL BE USED TO PAY ALL COSTS INCURRED PURSUANT TO THE SECTION 1115 WAIVER AUTHORITY ASSOCIATED WITH DELIVERY SYSTEM REFORM INCENTIVE PAYMENTS AND DESIGNATED STATE HEALTH PROGRAMS.

B. THE ADMINISTRATION SHALL ADMINISTER THE FUND, AND THE FUND IS CONTINUOUSLY APPROPRIATED. ON NOTICE FROM THE ADMINISTRATION, THE STATE TREASURER SHALL INVEST AND DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED FROM INVESTMENT SHALL BE CREDITED TO THE FUND.

C. SEPARATE ACCOUNTS MAY BE ESTABLISHED WITHIN THE FUND FOR EACH DESIGNATED STATE HEALTH PROGRAM.

D. THE DELIVERY SYSTEM REFORM INCENTIVE PAYMENT FUND CONSISTS OF:

1. ALL MONIES DEPOSITED IN THE FUND PURSUANT TO THE SECTION 1115 WAIVER AUTHORITY ASSOCIATED WITH DELIVERY SYSTEM REFORM INCENTIVE PAYMENTS AND DESIGNATED STATE HEALTH PROGRAMS.

2. GIFTS, DONATIONS AND GRANTS FROM ANY SOURCE.

3. FEDERAL MONIES AVAILABLE TO THIS STATE.

4. INTEREST ON MONIES DEPOSITED IN THE FUND.

E. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190, RELATING TO LAPSING OF APPROPRIATIONS.

F. BEFORE THE INITIAL DEPOSIT OF ANY MONIES IN THE FUND, THE ADMINISTRATION SHALL SUBMIT AN EXPENDITURE PLAN FOR REVIEW BY THE JOINT LEGISLATIVE BUDGET COMMITTEE.

Sec. 12. Section 36-2939, Arizona Revised Statutes, is amended to read:

36-2939. Long-term care system services

A. The following services shall be provided by the program contractors to members WHO ARE determined to need institutional services pursuant to this article:

1. Nursing facility services other than services in an institution for tuberculosis or mental disease.

2. Notwithstanding any other law, behavioral health services if these services are not duplicative of long-term care services provided as of January 30, 1993 under this subsection and are authorized by the program contractor through the long-term care case management system. If the administration is the program contractor, the administration may authorize these services.

3. Hospice services. For the purposes of this paragraph, "hospice" means a program of palliative and supportive care for terminally ill members and their families or caregivers.

4. Case management services as provided in section 36-2938.

5. Health and medical services as provided in section 36-2907.

6. DENTAL SERVICES IN AN ANNUAL AMOUNT OF NOT MORE THAN ONE THOUSAND DOLLARS PER MEMBER.

B. In addition to the services prescribed in subsection A of this section, the department, as a program contractor, shall provide the following services if appropriate to members who have a developmental disability as defined in section 36-551 and are determined to need institutional services pursuant to this article:

1. Intermediate care facility services for a member who has a developmental disability as defined in section 36-551. For purposes of this article, a facility shall meet all federally approved standards and may only include the Arizona training program facilities, a state owned and operated service center, state owned or operated community residential settings and private state licensed facilities that contract with the department.

2. Home and community based services that may be provided in a member's home, at an alternative residential setting as prescribed in section 36-591 or at other behavioral health alternative residential facilities licensed by the department of health services and approved by the director of the Arizona health care cost containment system administration and that may include:

(a) Home health, which means the provision of nursing services, ~~or~~ home health aide services or medical supplies, equipment and appliances, that are provided on a part-time or intermittent basis by a licensed home health agency within a member's residence based on a physician's orders and in accordance with federal law. Physical therapy, occupational therapy, or speech and audiology services provided by a home health agency may be provided in accordance with federal law. Home health agencies shall comply with federal bonding requirements in a manner prescribed by the administration.

(b) Home health aide, which means a service that provides intermittent health maintenance, continued treatment or monitoring of a health condition and supportive care for activities of daily living provided within a member's residence.

(c) Homemaker, which means a service that provides assistance in the performance of activities related to household maintenance within a member's residence.

(d) Personal care, which means a service that provides assistance to meet essential physical needs within a member's residence.

(e) Day care for persons with developmental disabilities, which means a service that provides planned care supervision and activities, personal care, activities of daily living skills training and habilitation services in a group setting during a portion of a continuous ~~twenty-four-hour~~ TWENTY-FOUR-HOUR period.

(f) Habilitation, which means the provision of physical therapy, occupational therapy, speech or audiology services or training in independent living, special developmental skills, sensory-motor development, behavior intervention, and orientation and mobility in accordance with federal law.

(g) Respite care, which means a service that provides short-term care and supervision available on a ~~twenty-four-hour~~ TWENTY-FOUR-HOUR basis.

(h) Transportation, which means a service that provides or assists in obtaining transportation for the member.

(i) Other services or licensed or certified settings approved by the director.

C. In addition to services prescribed in subsection A of this section, home and community based services may be provided in a member's home, in an adult foster care home as prescribed in section 36-401, in an assisted living home or assisted living center as defined in section 36-401 or in a level one or level two behavioral health alternative residential facility approved by the director by program contractors to all members who do not have a developmental disability as defined in section 36-551 and are determined to need institutional services pursuant to this article. Members residing in an assisted living center must be provided the choice of single occupancy. The director may also approve other licensed residential facilities as appropriate on a ~~case-by-case~~ CASE-BY-CASE basis for traumatic brain injured members. Home and community based services may include the following:

1. Home health, which means the provision of nursing services, home health aide services or medical supplies, equipment and appliances, that are provided on a part-time or intermittent basis by a licensed home health agency within a member's residence based on a physician's orders and in accordance with federal law. Physical therapy, occupational therapy, or speech and audiology services provided by a home health agency may be provided in accordance with federal law. Home health agencies shall comply with federal bonding requirements in a manner prescribed by the administration.

2. Home health aide, which means a service that provides intermittent health maintenance, continued treatment or monitoring of a health condition and supportive care for activities of daily living provided within a member's residence.

3. Homemaker, which means a service that provides assistance in the performance of activities related to household maintenance within a member's residence.

4. Personal care, which means a service that provides assistance to meet essential physical needs within a member's residence.

5. Adult day health, which means a service that provides planned care supervision and activities, personal care, personal living skills training, meals and health monitoring in a group setting during a portion of a continuous ~~twenty-four-hour~~ TWENTY-FOUR-HOUR period. Adult day health may also include preventive, therapeutic and restorative health related services that do not include behavioral health services.

6. Habilitation, which means the provision of physical therapy, occupational therapy, speech or audiology services or training in independent living, special developmental skills, sensory-motor development, behavior intervention, and orientation and mobility in accordance with federal law.

7. Respite care, which means a service that provides short-term care and supervision available on a ~~twenty-four-hour~~ TWENTY-FOUR-HOUR basis.

8. Transportation, which means a service that provides or assists in obtaining transportation for the member.

9. Home delivered meals, which means a service that provides for a nutritious meal ~~containing~~ THAT CONTAINS at least one-third of the recommended dietary allowance for an individual and ~~which~~ THAT is delivered to the member's residence.

10. Other services or licensed or certified settings approved by the director.

D. The amount of money expended by program contractors on home and community based services pursuant to subsection C of this section shall be limited by the director in accordance with the federal monies made available to this state for home and community based services pursuant to subsection C of this section. The director shall establish methods for the allocation of monies for home and community based services to program contractors and shall

monitor expenditures on home and community based services by program contractors.

E. Notwithstanding subsections A, B, C and F of this section, no service may be provided that does not qualify for federal monies available under title XIX of the social security act or the section 1115 waiver.

F. In addition to services provided pursuant to subsections A, B and C of this section, the director may implement a demonstration project to provide home and community based services to special populations, including persons with disabilities who are eighteen years of age or younger, ARE medically fragile, reside at home and would be eligible for supplemental security income for the aged, blind or disabled or the state supplemental payment program, except for the amount of their parent's income or resources. In implementing this project, the director may provide for parental contributions for the care of their child.

G. Subject to section 36-562, the administration by rule shall prescribe a deductible schedule for programs provided to members who are eligible pursuant to subsection B of this section, except that the administration shall implement a deductible based on family income. In determining deductible amounts and whether a family is required to have deductibles, the department shall use adjusted gross income. Families whose adjusted gross income is at least four hundred ~~per cent~~ PERCENT and less than or equal to five hundred ~~per cent~~ PERCENT of the federal poverty guidelines shall have a deductible of two ~~per cent~~ PERCENT of adjusted gross income. Families whose adjusted gross income is more than five hundred ~~per cent~~ PERCENT of adjusted gross income shall have a deductible of four ~~per cent~~ PERCENT of adjusted gross income. Only families whose children are under eighteen years of age and who are members who are eligible pursuant to subsection B of this section may be required to have a deductible for services. For the purposes of this subsection, "deductible" means an amount a family, whose children are under eighteen years of age and who are members who are eligible pursuant to subsection B of this section, pays for services, other than departmental case management and acute care services, before the department will pay for services other than departmental case management and acute care services.

Sec. 13. Laws 2015, chapter 14, section 24 is amended to read:

Sec. 24. Third-party liability payments; report

On or before December 31, 2016, the ~~department of health services, or the state agency that administers behavioral health services for this state,~~ ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on the efforts to increase third-party liability payments for behavioral health services.

Sec. 14. Repeal

Laws 2015, chapter 14, section 26 is repealed.

Sec. 15. ALTCS; county contributions; fiscal year 2016-2017

A. Notwithstanding section 11-292, Arizona Revised Statutes, county contributions for the Arizona long-term care system for fiscal year 2016-2017 are as follows:

1.	Apache	$ 625,200
2.	Cochise	$ 4,995,000
3.	Coconino	$ 1,877,300
4.	Gila	$ 2,112,600
5.	Graham	$ 1,303,500
6.	Greenlee	$ 33,500
7.	La Paz	$ 595,600
8.	Maricopa	$155,173,500
9.	Mohave	$ 7,948,800
10.	Navajo	$ 2,588,200
11.	Pima	$ 39,243,800
12.	Pinal	$ 14,899,800
13.	Santa Cruz	$ 1,930,900
14.	Yavapai	$ 8,391,300
15.	Yuma	$ 8,261,000

B. If the overall cost for the Arizona long-term care system exceeds the amount specified in the general appropriations act for fiscal year 2016-2017, the state treasurer shall collect from the counties the difference between the amount specified in subsection A of this section and the counties' share of the state's actual contribution. The counties' share of the state's contribution shall be in compliance with any federal maintenance of effort requirements. The director of the Arizona health care cost containment system administration shall notify the state treasurer of the counties' share of the state's contribution and report the amount to the director of the joint legislative budget committee. The state treasurer shall withhold from any other monies payable to a county from whatever state funding source is available an amount necessary to fulfill that county's requirement specified in this subsection. The state treasurer may not withhold distributions from the Arizona highway user revenue fund pursuant to title 28, chapter 18, article 2, Arizona Revised Statutes. The state treasurer shall deposit the amounts withheld pursuant to this subsection and amounts paid pursuant to subsection A of this section in the long-term care system fund established by section 36-2913, Arizona Revised Statutes.

Sec. 16. Sexually violent persons; county reimbursement; fiscal year 2016-2017; deposit; tax distribution withholding; definition

A. Notwithstanding any other law, if this state pays the costs of commitment of a sexually violent individual, the county shall reimburse the department of health services for thirty-one percent of these costs for fiscal year 2016-2017.

B. The department of health services shall deposit, pursuant to sections 35-146 and 35-147, Arizona Revised Statutes, the reimbursements under subsection A of this section in the Arizona state hospital fund established by section 36-545.08, Arizona Revised Statutes.

C. Each county shall make the reimbursements for these costs as specified in subsection A of this section within thirty days after a request by the department of health services. If the county does not make the reimbursement, the superintendent of the Arizona state hospital shall notify the state treasurer of the amount owed and the treasurer shall withhold the amount, including any additional interest as provided in section 42-1123, Arizona Revised Statutes, from any transaction privilege tax distributions to the county. The treasurer shall deposit, pursuant to sections 35-146 and 35-147, Arizona Revised Statutes, the withholdings in the Arizona state hospital fund established by section 36-545.08, Arizona Revised Statutes.

D. Notwithstanding any other law, a county may meet any statutory funding requirements of this section from any source of county revenue designated by the county, including funds of any countywide special taxing district in which the board of supervisors serves as the board of directors.

E. County contributions made pursuant to this section are excluded from the county expenditure limitations.

F. For the purposes of this section, "costs of commitment" means the costs associated with the detainment of a person in a licensed facility under the supervision of the superintendent of the Arizona state hospital before the court determines that the person is sexually violent and the cost of detainment of the person after the court has determined that the person is sexually violent.

Sec. 17. Competency restoration treatment; city and county reimbursement; fiscal year 2016-2017; deposit; tax distribution withholding

A. Notwithstanding section 13-4512, Arizona Revised Statutes, if this state pays the costs of a defendant's inpatient, in custody competency restoration treatment pursuant to section 13-4512, Arizona Revised Statutes, the city or county shall reimburse the department of health services for one hundred percent of these costs for fiscal year 2016-2017.

B. The department of health services shall deposit, pursuant to sections 35-146 and 35-147, Arizona Revised Statutes, the reimbursements under subsection A of this section in the Arizona state hospital fund established by section 36-545.08, Arizona Revised Statutes.

C. Each city and county shall make the reimbursements for these costs as specified in subsection A of this section within thirty days after a request by the department of health services. If the city or county does not make the reimbursement, the superintendent of the Arizona state hospital shall notify the state treasurer of the amount owed and the treasurer shall withhold the amount, including any additional interest as provided in section 42-1123, Arizona Revised Statutes, from any transaction privilege tax

distributions to the city or county. The treasurer shall deposit, pursuant to sections 35-146 and 35-147, Arizona Revised Statutes, the withholdings in the Arizona state hospital fund established by section 36-545.08, Arizona Revised Statutes.

D. Notwithstanding any other law, a county may meet any statutory funding requirements of this section from any source of county revenue designated by the county, including funds of any countywide special taxing district in which the board of supervisors serves as the board of directors.

E. County contributions made pursuant to this section are excluded from the county expenditure limitations.

Sec. 18. AHCCCS; disproportionate share payments

A. Disproportionate share payments for fiscal year 2016-2017 made pursuant to section 36-2903.01, subsection O, Arizona Revised Statutes, include:

1. $113,818,500 for a qualifying nonstate operated public hospital. The Maricopa county special health care district shall provide a certified public expense form for the amount of qualifying disproportionate share hospital expenditures made on behalf of this state to the Arizona health care cost containment system administration on or before May 1, 2017 for all state plan years as required by the Arizona health care cost containment system 1115 waiver standard terms and conditions. The administration shall assist the district in determining the amount of qualifying disproportionate share hospital expenditures. Once the administration files a claim with the federal government and receives federal financial participation based on the amount certified by the Maricopa county special health care district, if the certification is equal to or less than $113,818,500 and the administration determines that the revised amount is correct pursuant to the methodology used by the administration pursuant to section 36-2903.01, Arizona Revised Statutes, the administration shall notify the governor, the president of the senate and the speaker of the house of representatives, shall distribute $4,202,300 to the Maricopa county special health care district and shall deposit the balance of the federal financial participation in the state general fund. If the certification provided is for an amount less than $113,818,500 and the administration determines that the revised amount is not correct pursuant to the methodology used by the administration pursuant to section 36-2903.01, Arizona Revised Statutes, the administration shall notify the governor, the president of the senate and the speaker of the house of representatives and shall deposit the total amount of the federal financial participation in the state general fund. If the certification provided is for an amount greater than $113,818,500, the administration shall distribute $4,202,300 to the Maricopa county special health care district and shall deposit $74,605,600 of the federal financial participation in the state general fund. The administration may make additional disproportionate share hospital payments to the Maricopa county special health care district

pursuant to section 36-2903.01, subsection P, Arizona Revised Statutes, and subsection B of this section.

2. $28,474,900 for the Arizona state hospital. The Arizona state hospital shall provide a certified public expense form for the amount of qualifying disproportionate share hospital expenditures made on behalf of the state to the administration on or before March 31, 2017. The administration shall assist the Arizona state hospital in determining the amount of qualifying disproportionate share hospital expenditures. Once the administration files a claim with the federal government and receives federal financial participation based on the amount certified by the Arizona state hospital, the administration shall distribute the entire amount of federal financial participation to the state general fund. If the certification provided is for an amount less than $28,474,900, the administration shall notify the governor, the president of the senate and the speaker of the house of representatives and shall distribute the entire amount of federal financial participation to the state general fund. The certified public expense form provided by the Arizona state hospital shall contain both the total amount of qualifying disproportionate share hospital expenditures and the amount limited by section 1923(g) of the social security act.

3. $884,800 for private qualifying disproportionate share hospitals. The Arizona health care cost containment system administration shall make payments to hospitals consistent with this appropriation and the terms of the section 1115 waiver, but payments are limited to those hospitals that either:

(a) Meet the mandatory definition of disproportionate share qualifying hospitals under section 1923 of the social security act.

(b) Are located in Yuma county and contain at least three hundred beds.

B. After the distributions made pursuant to subsection A of this section, the allocations of disproportionate share hospital payments made pursuant to section 36-2903.01, subsection P, Arizona Revised Statutes, shall be made available first to qualifying private hospitals located outside of the Phoenix metropolitan statistical area and the Tucson metropolitan statistical area before being made available to qualifying hospitals within the Phoenix metropolitan statistical area and the Tucson metropolitan statistical area.

Sec. 19. AHCCCS transfer; counties; federal monies

On or before December 31, 2017, notwithstanding any other law, for fiscal year 2016-2017 the Arizona health care cost containment system administration shall transfer to the counties such portion, if any, as may be necessary to comply with section 10201(c)(6) of the patient protection and affordable care act (P.L. 111-148), regarding the counties' proportional share of the state's contribution.

Sec. 20. County acute care contribution; fiscal year 2016-2017

A. Notwithstanding section 11-292, Arizona Revised Statutes, for fiscal year 2016-2017 for the provision of hospitalization and medical care, the counties shall contribute the following amounts:

1.	Apache	$ 268,800
2.	Cochise	$ 2,214,800
3.	Coconino	$ 742,900
4.	Gila	$ 1,413,200
5.	Graham	$ 536,200
6.	Greenlee	$ 190,700
7.	La Paz	$ 212,100
8.	Maricopa	$19,011,200
9.	Mohave	$ 1,237,700
10.	Navajo	$ 310,800
11.	Pima	$14,951,800
12.	Pinal	$ 2,715,600
13.	Santa Cruz	$ 482,800
14.	Yavapai	$ 1,427,800
15.	Yuma	$ 1,325,100

B. If a county does not provide funding as specified in subsection A of this section, the state treasurer shall subtract the amount owed by the county to the Arizona health care cost containment system fund and the long-term care system fund established by section 36-2913, Arizona Revised Statutes, from any payments required to be made by the state treasurer to that county pursuant to section 42-5029, subsection D, paragraph 2, Arizona Revised Statutes, plus interest on that amount pursuant to section 44-1201, Arizona Revised Statutes, retroactive to the first day the funding was due. If the monies the state treasurer withholds are insufficient to meet that county's funding requirements as specified in subsection A of this section, the state treasurer shall withhold from any other monies payable to that county from whatever state funding source is available an amount necessary to fulfill that county's requirement. The state treasurer may not withhold distributions from the Arizona highway user revenue fund pursuant to title 28, chapter 18, article 2, Arizona Revised Statutes.

C. Payment of an amount equal to one-twelfth of the total amount determined pursuant to subsection A of this section shall be made to the state treasurer on or before the fifth day of each month. On request from the director of the Arizona health care cost containment system administration, the state treasurer shall require that up to three months' payments be made in advance, if necessary.

D. The state treasurer shall deposit the amounts paid pursuant to subsection C of this section and amounts withheld pursuant to subsection B of this section in the Arizona health care cost containment system fund and the long-term care system fund established by section 36-2913, Arizona Revised Statutes.

E. If payments made pursuant to subsection C of this section exceed the amount required to meet the costs incurred by the Arizona health care cost containment system for the hospitalization and medical care of those persons defined as an eligible person pursuant to section 36-2901, paragraph 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the director of the Arizona health care cost containment system administration may instruct the state treasurer either to reduce remaining payments to be paid pursuant to this section by a specified amount or to provide to the counties specified amounts from the Arizona health care cost containment system fund and the long-term care system fund established by section 36-2913, Arizona Revised Statutes.

F. It is the intent of the legislature that the Maricopa county contribution pursuant to subsection A of this section be reduced in each subsequent year according to the changes in the GDP price deflator. For the purposes of this subsection, "GDP price deflator" has the same meaning prescribed in section 41-563, Arizona Revised Statutes.

Sec. 21. Hospitalization and medical care contribution; fiscal year 2016-2017

A. Notwithstanding any other law, for fiscal year 2016-2017, beginning with the second monthly distribution of transaction privilege tax revenues, the state treasurer shall withhold one-eleventh of the following amounts from state transaction privilege tax revenues otherwise distributable, after any amounts withheld for the county long-term care contribution or the county administration contribution pursuant to section 11-292, subsection O, Arizona Revised Statutes, for deposit in the Arizona health care cost containment system fund established by section 36-2913, Arizona Revised Statutes, for the provision of hospitalization and medical care:

1.	Apache	$ 87,300
2.	Cochise	$ 162,700
3.	Coconino	$ 160,500
4.	Gila	$ 65,900
5.	Graham	$ 46,800
6.	Greenlee	$ 12,000
7.	La Paz	$ 24,900
8.	Mohave	$ 187,400
9.	Navajo	$ 122,800
10.	Pima	$1,115,900
11.	Pinal	$ 218,300
12.	Santa Cruz	$ 51,600
13.	Yavapai	$ 206,200
14.	Yuma	$ 183,900

B. If the monies the state treasurer withholds are insufficient to meet a county's funding requirement as specified in subsection A of this section, the state treasurer shall withhold from any other monies payable to that county from whatever state funding source is available an amount

necessary to fulfill that county's requirement. The state treasurer may not withhold distributions from the Arizona highway user revenue fund pursuant to title 28, chapter 18, article 2, Arizona Revised Statutes.

C. On request from the director of the Arizona health care cost containment system administration, the state treasurer shall require that up to three months' payments be made in advance.

D. In fiscal year 2016-2017, the sum of $2,646,200 withheld pursuant to subsection A of this section is allocated for the county acute care contribution for the provision of hospitalization and medical care services administered by the Arizona health care cost containment system administration.

E. County contributions made pursuant to this section are excluded from the county expenditure limitations.

Sec. 22. Transfer; interagency service agreement for behavioral health services fund monies

All unexpended and unencumbered monies remaining in the interagency service agreement for behavioral health services fund established by section 36-108.01, Arizona Revised Statutes, on July 1 of fiscal years 2017-2018, 2018-2019 and 2019-2020 are transferred to the state general fund. The transfer amount may be adjusted for reported but unpaid claims and estimated incurred but unreported claims, subject to the approval of the Arizona health care cost containment system administration and the joint legislative budget committee.

Sec. 23. Proposition 204 administration; county expenditure limitations

County contributions for the administrative costs of implementing sections 36-2901.01 and 36-2901.04, Arizona Revised Statutes, that are made pursuant to section 11-292, subsection O, Arizona Revised Statutes, are excluded from the county expenditure limitations.

Sec. 24. AHCCCS; risk contingency rate setting

Notwithstanding any other law, for the contract year beginning October 1, 2016 and ending September 30, 2017, the Arizona health care cost containment system administration may continue the risk contingency rate setting for all managed care organizations and the funding for all managed care organizations administrative funding levels that were imposed for the contract year beginning October 1, 2010 and ending September 30, 2011.

Sec. 25. AHCCCS; voluntary critical access hospital payments; appropriation; fiscal year 2016-2017; notification

Any monies received for critical access hospital payments from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona board of regents, and any federal monies used to match those payments, that are received in fiscal year 2016-2017 by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2016-2017. Before the expenditure of these monies, the administration shall notify the joint

legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be expended under this section.

Sec. 26. AHCCCS; social security administration; medicare liability waiver; reports

The Arizona health care cost containment system may participate in any special disability workload 1115 demonstration waiver offered by the centers for medicare and medicaid services. Any credits provided by the 1115 demonstration waiver process are to be used in the fiscal year when those credits are made available to fund the state share of any medical assistance expenditures that qualify for federal financial participation under the medicaid program. The Arizona health care cost containment system administration shall report the receipt of any credits to the director of the joint legislative budget committee on or before December 31, 2016 and June 30, 2017.

Sec. 27. Health services lottery monies fund; lottery distribution; use

Notwithstanding sections 5-572 and 36-108.01, Arizona Revised Statutes, monies in the health services lottery monies fund established by section 36-108.01, Arizona Revised Statutes, may be used for the purposes specified in the fiscal year 2016-2017 general appropriations act.

Sec. 28. Department of health services; health research account; Alzheimer's disease research

Notwithstanding section 36-773, Arizona Revised Statutes, the department of health services may use monies in the health research account established by section 36-773, Arizona Revised Statutes, in an amount specified in the general appropriations act for Alzheimer's disease research.

Sec. 29. AHCCCS; health care services for Native Americans; report

On or before December 1, 2016, the Arizona health care cost containment system administration shall submit a report for review to the joint legislative budget committee on medicaid payments for health care services for the Native American population in this state. The report shall include:

1. An estimate of the administration's annual total fund expenditures on acute care, long-term care and behavioral health services for Native Americans in this state, including an estimate of total state expenditures on such services. The administration shall provide separate estimates of total medicaid fee-for-service expenditures and total medicaid capitation expenditures for services furnished to Native Americans in this state.

2. An assessment of the state fiscal implications associated with federal policy guidance issued by the centers for medicare and medicaid services in the state health official letter #16-002 dated February 26, 2016. The assessment shall include an estimate of the state fiscal impact of the following policies addressed in the letter:

(a) The one hundred percent federal matching assistance percentage for services furnished by non-Indian health service providers to Native Americans in this state through a written care coordination agreement.

(b) The one hundred percent federal matching assistance percentage for services furnished by an Indian health service facility or tribal facility that did not previously qualify for a one hundred percent federal matching assistance percentage, including home and community-based services, transportation services and other nonfacility-based services.

3. A report on the administration's strategies to encourage written care coordination agreements, as prescribed in the state health official letter #16-002 dated February 26, 2016, between Indian health service providers and non-Indian health service providers.

4. An analysis of the impact of the federal policy guidance issued by the centers for medicare and medicaid services in the state health official letter #16-002 dated February 26, 2016 on access to care, continuity of care and population health for Native Americans in this state.

Sec. 30. AHCCCS; emergency department use; report

On or before December 1, 2016, the Arizona health care cost containment system administration shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on the use of emergency departments for nonemergency purposes by Arizona health care cost containment system enrollees.

Sec. 31. Hospital transparency; joint report

On or before January 1, 2017, the director of the Arizona health care cost containment system administration and the director of the department of health services shall submit a joint report on hospital charge master transparency to the governor, the speaker of the house of representatives and the president of the senate and shall provide a copy to the secretary of state. The report shall provide a summary of the current charge master reporting process, a summary of hospital billed charges compared to costs and examples of how charge masters or hospital prices are reported and used in other states. The report shall include recommendations to improve this state's use of hospital charge master information, including reporting and oversight changes.

Sec. 32. Inpatient psychiatric treatment; report

A. On or before January 2, 2017, the Arizona health care cost containment system administration shall report to the director of the joint legislative budget committee on the availability of inpatient psychiatric treatment both for adults and for children and adolescents who receive services from the regional behavioral health authorities. The report shall include all of the following information:

1. The total number of inpatient psychiatric treatment beds available and the occupancy rate for those beds.

2. Expenditures on inpatient psychiatric treatment.

3. The total number of individuals in this state who are sent out of state for inpatient psychiatric care.

4. The prevalence of psychiatric boarding or the holding of psychiatric patients in emergency rooms for at least twenty-four hours before transferring the patient to a psychiatric facility.

B. The report shall provide the information specified in subsection A of this section separately for adults who are at least twenty-two years of age and for children and adolescents who are twenty-one years of age or younger.

Sec. 33. AHCCCS; 340B drug pricing; rulemaking; exemption

For the purposes of implementing section 36-2930.03, Arizona Revised Statutes, as added by this act, relating to 340B drug pricing, the Arizona health care cost containment administration is exempt from the rulemaking requirements of title 41, chapter 6, Arizona Revised Statutes, for one year after the effective date of this act.

Sec. 34. Intent; implementation of program

It is the intent of the legislature that for fiscal year 2016-2017 the Arizona health care cost containment system administration implement a program within the available appropriation.

Sec. 35. Effective date

Section 36-108.01, Arizona Revised Statues, as amended by section 2 of this act, is effective from and after August 31, 2020.

APPROVED BY THE GOVERNOR MAY 10, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 10, 2016.

Passed the House May 3, 2016

by the following vote: 35 Ayes,

24 Nays, 1 Not Voting

Speaker of the House

☑ Pro Tempore

Chief Clerk of the House

Passed the Senate May 3, 2016

by the following vote: 18 Ayes,

12 Nays, 0 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

4th day of May, 2016

at 1:31 o'clock A. M.

Secretary to the Governor

Approved this 10th day of

May

at 8:52 o'clock A. M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 10th day of May, 2016

at 11:32 o'clock A M.

Secretary of State

H.B. 2704