

DATE: November 15, 2016

TO: Bret Cloninger, OSPB

FROM: Matthew Isiogu, AHCCCS, Division of Business and Finance

SUBJECT: AHCCCS FY18 Budget Revision

Attached is the AHCCCS FY18 Budget Revision. This revision is a decrease of \$90.7 million Total Fund and \$33.8 million General Fund compared to the AHCCCS FY18 September Budget Submittal. A brief summary of the changes and the corresponding FY18 budgetary impacts is provided below.

Adjustments	General Fund	Total Fund
1. Behavioral Health	(\$37,671,500)	(\$164,466,900)
2. Caseload	\$24,540,800	\$98,279,900
3. FMAP Change	(\$16,693,900)	\$963,400
4. LTC FFS	(\$4,663,900)	(\$27,771,700)
5. Other Adjustments	\$640,100	\$2,298,300
Total Revision	(\$33,848,400)	(\$90,697,000)

- 1) Behavioral health expenditure projections were adjusted to reflect updated capitation rate assumptions for Regional Behavioral Health Authorities (RBHAs), including removal of the Tribal Regional Behavioral Health Authorities (TRBHAs) component of the rates, which was incorrectly included in the original submission. The correction to TRBHA expenditures results in a decrease of \$70.1 million Total Fund, \$16.9 million General Fund. Updated capitation rate assumptions result in a decrease of \$94.4 million Total Fund, \$20.7 million General Fund. The combined impact of these two items is a decrease of \$164.5 million Total Fund, \$37.7 million General Fund. Please note, the Division of Health Care Management is continuing to evaluate the RBHA rates based on a change in member month methodology that was implemented in October. Therefore, the rates included in this revision may not be the final RBHA rates for Contract Year 2017.
- 2) Caseload forecasts were adjusted to reflect increases to the TANF and SOBRA populations in August, September, and October. This results in an increase of \$98.3 million Total Fund, \$24.5 million General Fund.
- 3) The FY18 September Budget Submittal assumed the FMAP for Arizona would increase from 69.24% in FFY 2017 to 69.53% in FFY 2018, based on the projected FMAP included in the Federal Funds Information for States (FFIS) Issue Brief (IB 16-14) released on March 25, 2016. On September 29, 2016, FFIS released an Issue Brief (16-49) with final FMAP projections for FFY 2018. The revised FFY 2018 projection for Arizona of 69.89% represents a 0.36 percentage point increase over the original projection for FFY 2018 of 69.53%. The total State Match decrease is estimated to be \$22.6 million, consisting of \$16.7 million General Fund, \$1.7 million County Funds, \$2.3 million Hospital Assessment Fund, and \$1.9 million Political Subdivision contributions.
- 4) The AHCCCS September Submittal incorrectly included Arizona Long Term Care System (ALTCS) Elderly and Physically Disabled (EPD) Fee-for-Service (FFS) expenditures for IHS Facilities in the FFS Non-IHS forecast as well. Removing these expenditures from the forecast results in a decrease of \$27.8 million Total Fund, \$4.7 million General Fund, and \$3.7 million County Funds.

- 5) Other corrections to the original forecasts resulted in a net increase of \$2.3 million Total Fund and \$640,100 General Fund.

AHCCCS will continue to monitor enrollment and expenditure trends and will provide additional updates to the budget offices as necessary. Please contact me at (602) 417-4168 if you have additional questions.