

May 13, 2020

Ms. Kelsey Smyth
Project Officer
Department of Health & Human Services
Centers for Medicare & Medicaid Services
State Demonstrations Group (SDG)
7500 Security Boulevard, Mail Stop: S2-01-16
Baltimore, MD 21244-1850

Dear Ms. Smyth:

This letter serves to complete the requirements outlined in the Arizona Health Care Cost Containment System (AHCCCS) Special Terms and Conditions (STC) Section 96 (b) to report on financial results of interagency agreements with AHCCCS sister agencies Department of Economic Security, Division of Developmental Disabilities (DES/DDD) and Department of Child Safety, Comprehensive Medical and Dental Program (DCS/CMDP). This section of the STC pronounces the following:

AHCCCS will report on a comparison of revenues and costs associated with the DES Interagency Agreement, including how any excess revenues are spent. The report will be due by January 15 of each year for the state fiscal year ending the previous June 30.

The tables below present the DES/DDD and DCS/CMDP, revenues and expenditures for the five quarters ended September 30, 2019.

Please note: Both DES/DDD and DCS/CMDP changed from reporting on a state fiscal year (SFY) basis of July - June to a contract year end (CYE) basis of October - September. In order for DES/DDD and DCS/CMDP to convert from a SFY to a CYE, the information presented reflects the five quarters ended September 30, 2019 (July 1, 2018 – September 30, 2019). Furthermore, as a result of this change in reporting periods, CMS granted AHCCCS an extension to submit this report until April 15 of each year. The report to be submitted in April 2021 will report the four quarters ending September 30, 2020.

DES/DDD	CYE 2019¹
Beginning Fund Balance 07/01/18	\$ 4,365,626
Revenues	\$ 2,149,027,015
Expenses	\$ 2,071,101,462
Excess of Revenues over Expenses	\$ 77,925,553
% of Revenue Over/(Under) Expenses	3.63%
Transfers Out	\$ 7,532,267
Ending Fund Balance 09/30/19 ²	\$ 74,758,912

¹DDD switched from a state fiscal year end of 6/30/19 to a contract year end of 9/30/19.

²Ending fund balance represents estimated IBNR and encumbered funds at the end of the contract year.

Per Arizona Revised Statute 36-2953, DES/DDD will be taking action to be compliant with the following requirement: all monies from capitated payments in the department long-term care system fund that are unexpended and unencumbered at the end of the fiscal year revert to the state general fund on or before June 30 of the following fiscal year. The transfer amount may be adjusted for reported but unpaid claims and estimated incurred but unreported claims, subject to approval by the administration. The transfer amount may not be adjusted to pay non-Medicaid claims incurred by the division of developmental disabilities.

DCS/CMDP	CYE 2019¹
Revenues	\$ 59,139,804
Expenses	\$ 59,408,861
Excess of Revenues over Expenses	\$ (269,057)
% of Revenue Over/(Under) Expenses	-0.45%

¹CMDP switched from a state fiscal year end of 6/30/19 to a contract year end of 9/30/19.

As noted in the table above, DCS/CMDP did not have excess revenue for CYE 2019. Please note for DCS/CMDP, AHCCCS increased the capitation rates for CYE 2020 to reflect this experience listed above.


Enclosed are the supporting pages from the CYE 2019 DES/DDD Draft Audited Financial Statements and DCS/CMDP Draft Audited Financial Statements. AHCCCS does not anticipate that there will be any audit adjustments between the draft and the final audit that will change the information presented in this letter. DES/DDD and DCS/CMDP both use modified accrual basis of accounting. AHCCCS has reviewed these supporting documents and verified the amounts reported appear reasonable.

Ms. Kelsey Smyth
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If you have any questions regarding the information provided in this letter or the attachments, please contact me at (602) 417-4168.

Sincerely,

**Isiogu,
Matthew**

 Digitally signed by Isiogu,
Matthew
Date: 2020.05.13 09:24:30
-07'00'

Matthew Isiogu, Assistant Director
Division of Health Care Management

Enclosures

cc: Brian Zolynas, CMS
Rick Dawson, CMS
Jami Snyder, AHCCCS
Mohamed Arif, AHCCCS
Jeffery Tegen, AHCCCS
Cynthia Layne, AHCCCS

Department of Economic Security
Division of Developmental Disabilities ALTCS Contract
Statement of revenues, expenditures, and changes in fund balance—
special revenue fund
Year ended September 30, 2019

Revenues:	
Capitation	\$ 2,090,733,594
Investment earnings	3,936,217
Miscellaneous	<u>54,357,204</u>
Total revenues	<u>2,149,027,015</u>
Expenditures:	
Health and welfare:	
Aid to individuals	1,848,319,812
Allocated administrative expenditures	87,307,416
Case management	80,662,857
Professional and outside services	12,897,984
Premium tax	<u>41,913,393</u>
Total expenditures	<u>2,071,101,462</u>
Excess of revenues over expenditures	77,925,553
Other financing uses:	
Transfers to other state funds	<u>(7,532,267)</u>
Net change in fund balance	70,393,286
Fund balance, July 1, 2018	<u>4,365,626</u>
Fund balance, September 30, 2019	<u>\$ 74,758,912</u>

See accompanying notes to financial statements.

**COMPREHENSIVE MEDICAL AND DENTAL PROGRAM FUND,
A PROPRIETARY FUND OF THE STATE OF ARIZONA DEPARTMENT OF CHILD
SAFETY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY
FUND**

Fifteen Months Ended September 30, 2019

REVENUES		
Capitation		<u>\$ 59,139,804</u>
HEALTH CARE EXPENSES		
Hospitalization		9,135,750
Medical compensation		11,987,901
Ancillary and other medical services		28,547,921
Less: reinsurance recoveries		(2,192,115)
Less: third-party liability		<u>(78,035)</u>
TOTAL HEALTH CARE EXPENSES		47,401,422
ADMINISTRATIVE EXPENSES		10,801,591
PREMIUM TAX		<u>1,205,848</u>
TOTAL EXPENSES		<u>59,408,861</u>
CHANGE IN NET POSITION (DEFICIT)		(269,057)
NET POSITION (DEFICIT), BEGINNING OF PERIOD		<u>(1,300,266)</u>
NET POSITION (DEFICIT), END OF PERIOD		<u>\$ (1,569,323)</u>

See Notes to Financial Statements

