

April 15, 2021

Mr. Brian Zolynas
Project Officer
Department of Health & Human Services
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90, 7th Street, Suite 5-300
San Francisco, CA 94103
Phone: (415) 744-3502
Fax: (443) 380-8863

Dear Mr Zolynas:

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 the financial results of interagency agreements with AHCCCS' sister agencies: the Department of Economic Security, Division of Developmental Disabilities (DES/DDD) and the Department of Child Safety, Comprehensive Medical and Dental Program (DCS/CMDP). This section of the STC requires 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.

Please Note: DES/DDD and DCS/CMDP changed their fiscal year from a state fiscal year ending June 30 to a contract year ending September 30 in 2019. Therefore, AHCCCS requested, and was granted, a permanent extension for the due date of the report until April 15 of each year.

The tables below present the DES/DDD and DCS/CMDP revenues and expenditures for the four quarters that ended on September 30, 2020.

DES/DDD	CYE 2020
Revenues	\$ 2,098,161,686
Expenses	\$ 2,043,643,890
Excess of Revenues over Expenses	\$ 54,517,796
% of Revenue Over/(Under) Expenses	2.60%
Beginning Fund Balance 10/01/2019	\$ 44,587,271
Transfers Out	\$ (49,334,275)
Ending Fund Balance 09/30/20 ¹	\$ 49,770,792

¹Ending 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's 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 DES/DDD.

DCS/CMDP	CYE 2020
Revenues	\$ 53,208,360
Expenses	\$ 51,836,589
Excess of Revenues over Expenses	\$ 1,371,771
% of Revenue Over/(Under) Expenses	2.58%
Beginning Fund Balance 10/01/2019	\$ (1,569,323)
Transfers In	\$ 1,569,323
Ending Fund Balance 09/30/20 ¹	\$ 1,371,771

As noted in the table above, DCS/CMDP did have excess revenue for CYE 2020. DCS/CMDP reported that the excess of revenues over expenses of \$1,371,771 is restricted and cannot be used for any other purpose other than costs related to Medicaid services. Therefore, the excess revenue will be used to provide medical services to the DCS/CMDP member population.

Enclosed are the supporting pages from the CYE 2020 DES/DDD Draft Audited Financial Statements and DCS/CMDP Final Audited Financial Statements. DES/DDD 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 that the amounts reported appear reasonable.

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

Sincerely,

**Matthew
Isiogu**

Digitally signed by
Matthew Isiogu
Date: 2021.04.14 11:23:10
-07'00'

Matthew Isiogu, Assistant Director
Division of Health Care Management

Enclosures

cc: Heather Ross, 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
September 30, 2020

Revenues:	
Capitation	\$ 2,067,145,209
Investment earnings	4,592,444
Miscellaneous	<u>26,424,033</u>
Total revenues	<u>2,098,161,686</u>
Expenditures:	
Health and welfare:	
Aid to individuals	1,814,677,569
Allocated administrative expenditures	78,861,761
Case management	66,779,233
Professional and outside services	17,587,064
Sub capitation block administrative	22,835,531
Premium tax	<u>42,902,732</u>
Total expenditures	<u>2,043,643,890</u>
Excess of revenues over expenditures	54,517,796
Other financing uses:	
Transfers to other state funds	<u>(49,334,275)</u>
Net change in fund balance	5,183,521
Fund balance, October 1, 2019	<u>44,587,271</u>
Fund balance, September 30, 2020	<u>\$ 49,770,792</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**

Year Ended September 30, 2020

REVENUES	
Capitation	\$ 53,054,901
Risk settlement	<u>153,459</u>
TOTAL REVENUES	<u>53,208,360</u>
 HEALTH CARE EXPENSES	
Hospitalization	11,362,309
Medical compensation	9,326,805
Ancillary and other medical services	21,909,429
Less: reinsurance recoveries	(1,741,435)
Less: third-party liability	<u>(188,937)</u>
TOTAL HEALTH CARE EXPENSES	40,668,171
ADMINISTRATIVE EXPENSES	10,087,173
PREMIUM TAX	<u>1,081,245</u>
TOTAL EXPENSES	<u>51,836,589</u>
CHANGE IN NET POSITION (DEFICIT)	1,371,771
 OTHER NONCAPITAL FINANCING SOURCES	
Transfer in from the Arizona Department of Child Safety	1,569,323
NET DEFICIT, BEGINNING OF YEAR	<u>(1,569,323)</u>
NET POSITION, END OF YEAR	<u>\$ 1,371,771</u>

See Notes to Financial Statements