

May 6, 2022

Mr. Brian Zolynas
Project Officer
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 7th Street, Suite 5-300
San Francisco, CA 94103

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 82(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 Health Plan (DCS/CHP). 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/ CHP 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. In addition, AHCCCS requested and received a one-time extension for the due date of the report until May 16, 2022. Effective April 1, 2021 Comprehensive Medical and Dental Program (CMDP) changed its name to Comprehensive Health Plan (CHP)

The tables below present the DES/DDD and DCS/ CHP revenues and expenditures for the four quarters that ended on September 30, 2021.

DES/DDD	CYE 2021
Revenues	\$ 2,387,889,709
Expenses	\$ 2,270,021,800
Excess of Revenues over Expenses	\$ 117,867,909
% of Revenue Over/(Under) Expenses	4.94%
Beginning Fund Balance 10/01/2020	\$ 49,770,792
Transfers Out	\$ (51,704,358)
Ending Fund Balance 09/30/21 ¹	\$ 115,934,343

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/CHP	CYE 2021
Revenues	\$ 137,419,364
Expenses	\$ 134,791,944
Excess of Revenues over Expenses	\$ 2,627,420
% of Revenue Over/(Under) Expenses	1.91%
Beginning Fund Balance 10/01/2020	\$ 1,371,771
Ending Fund Balance 09/30/21 ¹	\$ 3,999,191

¹Ending fund balance represents estimated IBNR and encumbered funds at the end of the contract year.

As noted in the table above, DCS/CHP did have excess revenue for CYE 2021. DCS/CHP reported that the excess of revenues over expenses of \$2,627,420 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/CHP member population. AHCCCS requires DCS/CHP to obtain approval from AHCCCS prior to distribution of any fund/equity balance. AHCCCS reviews the quarterly and annual financial statements of DSC/CHP including their medical spending and fund/equity balance and would become aware if any fund/equity balance was distributed without approval.

Enclosed are the supporting pages from the CYE 2021 DES/DDD Final Audited Financial Statements and DCS/CHP Final Audited Financial Statements. DES/DDD and DCS/CHP 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) 417-4820.

Sincerely,

Maureen Sharp

Digitally signed by Maureen
Sharp
Date: 2022.05.06 07:21:03
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Maureen Sharp, Assistant Director
Division of Health Care Management

Mr. Brian Zolynas

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Enclosures

cc: Kelsey Smyth, CMS
Carlest Jenkins, CMS
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Shelli Silver, AHCCCS
Alex Demyan, AHCCCS
Shreya Arakere , AHCCCS
Jeffery Tegen, AHCCCS
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