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TO: County Chief Fiscal Officers
FROM: Accounting Services Division
DATE: September 3, 2008
SUBJECT: Excludability of Arizona Health Care Cost Containment System Administrative Costs and Uncompensated Care Contributions

In 2001, the Legislature created two new Arizona Health Care Cost Containment System (AHCCCS) contributions—administrative costs pursuant to Arizona Revised Statutes (A.R.S.) §11-292(O) and hospitalization and medical care under the uncompensated care program. We subsequently determined that, unlike the original AHCCCS acute care contributions, these AHCCCS contributions were not excludable on the Expenditure Limitation Report (ELR) and were subject to counties' expenditure limitations. However, recent changes in statute have affected the excludability of these contributions for ELR purposes as described below.

Administrative Cost Contributions

For fiscal year 2004 and thereafter, in accordance with Laws 2008, Chapter 288, Sections 18 and 26, counties' administrative cost contributions made pursuant to A.R.S. §11-292(O) may be excluded from expenditures subject to the constitutional expenditure limitation. Counties may exclude such administrative cost contributions on the ELR, Part II, line B.3, Trustee or custodian.

For fiscal year 2008, counties with a population of more than 800,000 persons are required to make an additional contribution for AHCCCS administration as described in Laws 2008, Chapter 53, Section 9. Since these additional contributions are not required to be made pursuant to A.R.S. §11-292(O), the provisions of Laws 2008, Chapter 288, Sections 18 and 26, described above do not apply to these additional administrative cost contributions. Therefore, the additional contributions are not excludable on the fiscal year 2008 ELR.

However, for fiscal year 2009 only, the additional contributions for AHCCCS administration made by counties with a population of more than 800,000 persons are excludable, as described in Laws 2008, Chapter 288, Section 10. Counties may exclude such additional administrative cost contributions for fiscal year 2009 only, on the ELR, Part II, line B.3, Trustee or custodian.

Uncompensated Care Contributions

For fiscal years 2004 through 2009 only, based on Laws 2008, Chapter 288, Subsection 16(F) and Section 26, counties' uncompensated care contributions made in accordance with Subsection A of this law may be excluded from expenditures subject to the constitutional expenditure limitation. Therefore, in ELRs for fiscal years 2004 through 2009, counties may exclude these uncompensated care contributions on Part II, line B.3, Trustee or custodian. Under the current laws, in fiscal year 2010, these contributions will no longer be excludable.

If you have any questions, please call Cris Cable, Accounting Services Senior, or Michael Stelpstra, Accounting Services Manager at (602) 553-0333.