



**ARIZONA STATE SENATE**  
*Forty-ninth Legislature, First Regular Session*

**PROGRAM PRESENTATION**  
Healthcare Group

Background

In 1981, the Legislature authorized the Arizona Health Care Cost Containment System (AHCCCS) to provide affordable health care coverage to self-employed individuals, small businesses with 50 or fewer employees, including sole proprietorships, and political subdivisions (state, counties, cities, towns, school districts and agricultural districts) within the state. In 1985, the Legislature established Healthcare Group (HCG) as a prepaid, guaranteed issue medical coverage program for eligible employers. The program, administered by AHCCCS, began operation in the following year.

Eligible employers may participate in HCG by purchasing health care for their employees and the employee's dependents through the participating AHCCCS health plans. Employers contract directly with the selected health plan and choose the benefit level and cost sharing option suitable for their organization. To qualify for the program, businesses must have been in existence in Arizona for at least 60 days and without health insurance for at least 90 days, referred to as the "go bare" period.

In 2007, the Legislature appropriated \$8,000,000 to provide financial support for HCG. Additionally, in 2008, the Legislature enacted several program reforms (Laws 2008, Chapter 288). Among the changes, the Legislature: 1) required eligible employer groups to have at least two, rather than one, eligible employees; 2) required AHCCCS to increase or decrease premiums based on an actuarial review of projected and actual costs; 3) eliminated zero-dollar deductible plans; 4) established default reimbursement rates for urban and rural counties when a contract between a health plan and a hospital does not exist; and 5) limited enrollment growth, beginning July 1, 2009, and in each subsequent fiscal year, to five percent above enrollment in the previous fiscal year.

AHCCCS reports that, as of February 1, 2009, there were 16,304 members enrolled in HCG.

Fiscal Information

In the spring of 2006, HCG reported that it was running an annual deficit. In the FY 2007-2008 budget, the Legislature appropriated \$8,000,000 from the state General Fund to AHCCCS to subsidize HCG. This amount was later reduced to \$6,500,000.

In FY 2008-2009, the Legislature initially authorized \$5,000,000. However, in the FY 2008-2009 budget adjustment enacted on January 31, 2009, this amount was eliminated.

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### Committee Activity

The Healthcare and Medical Liability Reform Committee reviewed HCG on Wednesday, February 18, 2009. AHCCCS reported that HCG has experienced a drop in enrollment of about 3.1 percent since the implementation of legislative reforms that were enacted in 2007 and 2008. The current HCG membership totals approximately 15,880 members and HCG has approximately \$15.3 million in unfunded liability.

### FY 2008-2009 Budget Action

According to the Joint Legislative Budget Committee, the FY 2008-2009 budget adjustment enacted on January 31, 2009, rolls back \$5 million in funding appropriated to AHCCCS for HCG.

### Attachments

- 1) Arizona Health Care Cost Containment System – Healthcare Group Overview. Presented by AHCCCS to the Senate Healthcare and Medical Liability Reform Committee on February 18, 2009.
- 2) Healthcare Group – Enrollment and Demographic Data as of January 13, 2009. Presented by AHCCCS to the Senate Healthcare and Medical Liability Reform Committee on February 18, 2009.

Prepared by Senate Research

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