

October 1, 2018

The Honorable John Kavanagh  
Chairman, Joint Legislative Budget Committee  
1700 West Washington  
Phoenix, Arizona 85007

Dear Senator Kavanagh:

In the Joint Legislative Budget Committee meeting of June 19, 2018, the Committee directed the Arizona Health Care Cost Containment System (AHCCCS) and the Arizona Department of Economic Security (DES) to submit a report on the status of the implementation of the Targeted Case Management (TCM) caseload ratio change by October 1, 2018.

Please see attached the report submitted by DES to AHCCCS on this matter.

As a result of this caseload ratio change, AHCCCS has amended the CYE 2019 capitation rate for TCM effective October 1, 2018, reflecting a decrease of (6.2%) from the most recently submitted rates effective July 1, 2018. Beginning SFY 2019, DES Division of Developmental Disabilities (DDD) increased the TCM caseload ratio from 1:60 to 1:80. The capitation rate has been adjusted to reflect savings identified by DES/DDD in cost projections that were provided to AHCCCS. Since TCM expenditures are cost allocated on a lagging quarterly basis, the change is effective for October 1, 2018.

Should you have any questions on this issue, please feel free to contact Shelli Silver, Assistant Director, at (602) 417-4647.

Sincerely,



Thomas J. Betlach  
Director

cc: The Honorable David Livingston, Arizona House of Representatives  
Matthew Gress, Office of Strategic Planning and Budgeting  
Richard Stavneak, Joint Legislative Budget Committee  
Christina Corieri, Senior Policy Advisor, Office of the Governor  
Bret Cloninger, Office of Strategic Planning and Budgeting  
Wesley Fletcher, Department of Economic Security



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DEPARTMENT OF ECONOMIC SECURITY

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Douglas A. Ducey  
Governor

Michael Traylor  
Director

SEP 13 2018

Mr. Tom Betlach  
Director, Arizona Health Care Cost Containment System  
801 East Jefferson Street  
Phoenix, Arizona 85007

Dear Mr. Betlach:

Per the Fiscal Year 2019 Appropriations Report, the Arizona Department of Economic Security (DES) Division of Developmental Disabilities (DDD or the Division) has adjusted the caseload ratio for the Targeted Case Management population (excluding the Arizona Early Intervention Program (AzEIP) members) to a ratio of 1:80. The Department is notifying the Arizona Health Care Cost Containment System (AHCCCS) of DDD's implementation plan, estimated cost savings and estimated cost avoidance for Fiscal Year 2019.

The Division performs case management services holistically; resulting in each case manager holding a blended caseload. A blended caseload ratio allows for a cost-effective approach to case management services and ensures members maintain their case manager in the event the member transitions from State Only or Targeted Case Management (TCM) to the Arizona Long Term Care System (ALTCS). All caseload ratios factor the level of effort and frequency of meetings necessary for the needs of each member. The Division annually contracts with AHCCCS, executing a 1:39 caseload ratio for ALTCS members. Beginning in Fiscal Year 2019, legislative intent reflects the TCM population should maintain a 1:80 caseload ratio. Below is a breakout of the member populations, the targeted caseload ratios, and the necessity for each ratio based on the member's needs.

#### **ALTCS Case Management – Ratio 1:39**

This ratio is based on the current contract between AHCCCS and the Division. A 1:35 caseload ratio will be in effect for any membership above the number of enrolled members as of June 30, 2006 (17,910). AHCCCS annually determines an average weighted caseload based on 1:40 and 1:35 case manager ratios, the membership as of June 30, 2006 and the number of members above the June 30, 2006 baseline. The annually determined average is currently a ratio of 1:39.

The member, and family/representative, as appropriate, are active participants in the planning for and the evaluation of long term services and supports. Services are mutually selected through person-centered planning to assist the member in attaining his/her goal(s) for achieving or maintaining his/her highest level of self-sufficiency. Part of the on-going process is to review, evaluate and make modifications as appropriate to the member's service plan, goals and services provided to the member as required and as necessary. Per Policy 1620-E of the AHCCCS Medical Policy Manual (AMPM), case managers must assess member needs and placement, while ensuring the member is utilizing medically necessary physical, behavioral and

long-term care services. This must be done with the member present and must occur at least every 90 days for members receiving Home and Community Based Services (HCBS).

**ALTCS Foster Care Case Management – Ratio 1:25**

The ratio is based on current policy, Chapter 2000 of the Division's Operations Policy Manual. In addition to the regular ALTCS Case Management procedure outlined above, foster care case management involves coordinating and assisting the Department of Child Services (DCS) case workers with child and family team meetings. This requires more time and effort in managing these complex cases.

**Targeted Case Management (Non-AzEIP members) – Ratio 1:80**

The ratio is based on current Governor and legislative intent as described in the Fiscal Year 2019 Appropriations Report. Per the AHCCCS contract, the Division shall provide targeted case management services for members who are financially eligible for the Title XIX and Title XXI acute care program but who do not meet the functional eligibility requirements of the ALTCS program. Case managers assist families in accessing and utilizing medically necessary Early and Periodic Screening, Diagnostic and Treatment (EPSDT) services. New members receiving targeted case management must be visited every 90 days for the first six months. Thereafter, members choose the frequency of contact.

**Targeted Case Management (AzEIP members) – Ratio 1:39**

This ratio is based on the AzEIP standards and AMPM Policy 1640. The AzEIP member and family/representative, as appropriate, are active participants in the planning and the evaluation of long term services and supports. Services are mutually selected through person-centered planning using a team-based model to assist the member in attaining his/her goal(s) for achieving or maintaining his/her highest level of self-sufficiency. Part of the on-going process is to review, evaluate and make modifications as appropriate to the member's service plan, assist the family in accessing and utilizing medically necessary physical, behavioral and long-term services. Members receiving services funded by AzEIP must be visited every 90 days, per AHCCCS policy.

**DDD State Only Case Management (Non-AzEIP) – Ratio 1:80**

The ratio is based on current policy, Chapter 2000 of the Division's Operations Policy Manual. State Only members do not receive long term care services or AHCCCS provided acute care services. The Division is required to meet with the member and responsible persons at initial eligibility. During the first year of eligibility, two face-to-face meetings are required. After one year of eligibility, members choose the contact preference and frequency, with at least one annual planning meeting focused on supporting families in utilizing private insurance and community resources. According to the National Association of State Directors of Developmental Disabilities Services, the national average caseload ratio for this population is 1:75.

**DDD State Only Case Management (AzEIP) – Ratio 0:0**

The ratio is based on current contracts with AzEIP Providers. AzEIP members who do not qualify for ALTCS or DDD Targeted eligibility are case managed by an AzEIP provider. The Division does not have any FTE dedicated to managing these cases.

**TCM Caseload Ratio Implementation**

The Division operated at a 1:60 caseload ratio for the TCM (Non-AzEIP) population in prior years. This caseload ratio allowed for immediate transitioning of eligible members when eligibility changed from TCM to ALTCS. Originally, the Division planned to hire 58 case managers to address the members' needs based on a caseload of 3,467 as of July 1, 2018. In order to comply with the legislative intent of a 1:80 ratio, the Division's new plan results in a decrease of 15 needed case managers. Of the 15 case manager decrease, 7 current case managers will be shifted from TCM and the number of planned hires will be reduced by 8. Table 1 reflects the total members and the change in case managers needed.

**Table 1: Calculation of Case Managers Needed**

Populations	Total Members	Prior Years		FY 2019		Δ Staffing Need
		Caseload Ratios	Staffing w/ TCM @ 1:60	Caseload Ratios	Staffing w/ TCM @ 1:80	
ALTCS	32,181	1:39	825	1:39	825	-
ALTCS (Foster Care)	395	1:25	16	1:25	16	-
TCM (AzEIP)	1,482	1:39	38	1:39	38	-
TCM (Non-AzEIP)	3,467	1:60	58	1:80	43	(15)
DDD State-Only (AzEIP)	1,626	-	-	-	-	-
DDD State-Only (Non-AzEIP)	2,323	1:80	29	1:80	29	-
<b>Total</b>	<b>41,474</b>		<b>966</b>		<b>951</b>	<b>(15)</b>

Table 2 reflects the current staffing levels and the change in hiring plans after executing to a 1:80 TCM (Non-AzEIP) caseload ratio.

**Table 2: Case Manager Hiring**

Populations	Current Case Managers <sup>1</sup>	TCM @ 1:60		TCM @ 1:80		Δ Between Hiring Plans
		Case Manager Need	FY 19 Hiring Plan <sup>2</sup>	Case Manager Need	FY 19 Hiring Plan <sup>2</sup>	
ALTCS	716	825	109	825	109	-
ALTCS (Foster Care)	14	16	2	16	2	-
TCM (AzEIP)	33	38	5	38	5	-
TCM (Non-AzEIP)	50	58	8	43	(7)	(15)
DDD State-Only (AzEIP)	-	-	-	-	-	-
DDD State-Only (Non-AzEIP)	25	29	4	29	4	-
<b>Total</b>	<b>838</b>	<b>966</b>	<b>128</b>	<b>951</b>	<b>113</b>	<b>(15)</b>

**Notes:**

1. As of PP26 of FY 2018
2. Hiring Plan is the difference between the current number of case managers and the number of case managers needed.

Based on current case manager levels, the Division expects a shift in staff's focus away from TCM to ALTCS to maintain compliance with the AHCCCS contract. This change is expected to cause current members to experience a decline in case management services. In addition, this will increase the time it takes for TCM members to become ALTCS eligible. Prior to the implementation, TCM members who became ALTCS eligible spent 143 days on average as a TCM member before switching.

The Division plans to hold a Kaizen event (workgroup) to address the number of days it takes for non-ALTCS members, of which TCM is a component, to become ALTCS eligible and identify ways to mitigate the member impact of a 1:80 ratio. The Division is currently working to incorporate this metric into the Division's scorecard to allow the progress to be tracked and monitored.

### TCM Caseload Ratio Savings

Adjusting the level of case managers needed by 15 will result in a projected reduction of costs of \$823k in total funds. \$384k is a cost savings associated with the shift of current employees' time and the remaining \$439k is a cost avoidance from hiring additional staff to address the growing caseload. Table 3 reflects the decrease in needed FTE and the associated cost savings.

**Table 3: Total Funds Savings**

	1:60 TCM	1:80 TCM	Ratio Change Savings
FTE	966	951	(15)
Cost	\$52,982,000	\$52,159,000	(\$823,000)
GF	\$18,085,000	\$17,804,000	(\$281,000)

If you have any questions, please contact Wes Fletcher, Chief Financial Officer at (602) 542-6080.

Sincerely,



Michael Traylor  
Director

- cc: Shelli Silver, Assistant Director, AHCCCS
- Jim Hillyard, Deputy Director of Operations, DES
- Sean Price, Deputy Director of Programs, DES
- Debra Peterson, Assistant Director, DES
- Maureen Casey, Assistant Director, DES
- Mary Schumacher, Deputy Assistant Director, DES
- Matt Isiogu, Actuarial & Rates Administrator, AHCCCS
- Jeff Tegen, Assistant Director, AHCCCS