

State of Arizona Proposed Medicaid Reform Plan

Proposal	General Fund savings	Timing	Action required	Details
<i>Medicaid Eligibility</i>				
Eliminate enrollment of childless adults	\$190 M	July 1, 2011	In order to implement prior to Oct. 1, 2011, requires maintenance-of-effort waiver from the federal Centers for Medicare and Medicaid Services (CMS). (Implementation after Oct. 1 requires CMS approval of new demonstration project.)	No new childless adults may enroll, and existing members who lose coverage may not re-enroll. Proposal continues coverage for childless adults already enrolled in the Arizona Health Care Cost Containment System (AHCCCS) as of June 30, 2011.
Eliminate “spend down” program	\$70 M	May 1, 2011 (begin freeze); Oct. 1, 2011 (eliminated)	Submit phase-down plan to CMS by April 1, 2011. Requires CMS approval of phase down plan by May 1, and approval of new demonstration project by Sept. 30, 2011 ¹	“Spend down” refers to people who would ordinarily not qualify for AHCCCS but who have sustained medical expenses that reduced their income to below 40% of the Federal Poverty Level (FPL). Currently, “spend down” eligibility is 6 months in duration. Thus, a 6-month freeze will result in full phase-out by October 1.

¹ Section 1115 of the Social Security Act provides the U.S. Secretary of Health and Human Services broad authority to authorize “demonstration projects” likely to assist in promoting Medicaid objectives. Section 1115 allows the Secretary to waive certain Medicaid requirements, and to provide federal matching monies for costs that are not typically permitted to be paid for with Medicaid funding. AHCCCS has operated as a demonstration project under Section 1115 authority since its inception.

http://www.cms.gov/MedicaidStWaivProgDemoPGI/03_Research&DemonstrationProjects-Section1115.asp

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Eliminate enrollment of parents earning 75 - 100% of FPL	\$17 M	Oct. 1, 2011	Requires maintenance-of-effort waiver from CMS.	No new enrollment of parents earning above 75% of FPL. Coverage continues for parents above 75% of FPL who are already enrolled as of September 30, 2011. No change in coverage for parents earning below 75% of FPL.
Eliminate Federal Emergency Services (for non-qualified aliens) ²	\$20 M	To Be Determined	Will request under new demonstration project but may require federal law change.	Eliminates Medicaid reimbursement for emergency care given to non-qualified aliens.
Require 6-month redetermination of eligibility for current enrollees	\$15 M	Oct. 1, 2011	Requires maintenance-of-effort waiver from CMS; also requires demonstration project approval for childless adults and state plan amendment for parents.	Mandates that childless adults and parents re-qualify for AHCCCS every six months (rather than annually).

² A definition of a “qualified alien” can be found here: <https://www.cms.gov/MedicaidEligibility/downloads/alien1.pdf>

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<i>Personal Responsibility</i>				
Expand mandatory co-payments for parents	\$2.7 M	Oct.1, 2011	Requires CMS approval of new demonstration project.	Set co-payments same as transitional medical assistance (TMA) population, plus non-emergency use of an emergency department. ³
Expand mandatory co-payments for children	To Be Determined	Oct. 1, 2011	Requires CMS approval of new demonstration project.	Set co-payments same as TMA population, plus non-emergency use of an emergency department; some exceptions (e.g., drugs for chronic conditions such as asthma). AHCCCS will develop list of exceptions. Exploring opportunities to link wellness/healthy behavior incentives to copayments (see <i>Wellness Efforts</i>).
Institute “no-show” penalty for missed appointments	\$0 for the state; TBD for health providers	Oct. 1, 2011	Requires CMS approval of new demonstration project.	Modeled after no-show penalties charged by private insurer.
<i>Benefit Reforms</i>				
Impose new benefit limits	\$40 M	Oct. 1, 2011	State Plan Amendment	Institute 25-day hospital inpatient limit for adults. Institute office visit limit for childless adults and parents.

³ Information on current copayment levels can be found here: <http://www.azahcccs.gov/members/copayments.aspx>

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				Exploring limits on emergency department reimbursement and respite for caregivers of persons with developmental disabilities.
Eliminate non-emergency transportation (e.g., taxi service for doctor visits)	Approx. \$1 M	Oct. 1, 2011	Requires CMS approval of new demonstration project	Eliminate non-emergency transportation for childless adults and parents in urban parts of Maricopa and Pima County. Add co-payments for service in rural areas.
<i>Other</i>				
Modify reimbursement rates	\$95 M	Oct. 1, 2011	State Plan Amendment.	<p>Cut reimbursement rate for health providers by 5%.</p> <p>Eliminate separate outlier payments and roll into base rate.</p> <p>Reduce managed care organization rates.</p>
State reimbursement of Medicare liability	\$40 M	FY 2012	Requires CMS approval of new demonstration project	Pursue federal government reimbursement of Medicare liability associated with eligibility errors made by Social Security Administration. Several states pursuing this issue.

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Avoid Indian Health Service cost shift	Avoids additional costs	Oct.1, 2011	Requires CMS approval of new demonstration project	Continues authority for health services for Native Americans receiving care at IHS or 638 facilities that are 100% federally funded. Avoids shift to off-reservation facilities, which require standard state contribution.
<i>Longer Term Reforms</i>				
Integration of Care	Children’s Rehabilitative Services, Seriously Mentally Ill, Dual eligibles (Medicare and Medicaid)			
Payment Reforms	Pay for increased quality, reduced hospital admissions			
Program Integrity Efforts	Continued emphasis on reduction of waste, fraud and abuse. Office of Management and Budget application for Medicaid Managed Care model			
Wellness Efforts	Exploring financial penalties for unhealthy behaviors such as smoking and obesity. Institute copayments for pregnant women for noncompliance with prenatal wellness milestones. Exploring linking children’s copayments to wellness activities.			