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# AHCCCS Update



Our first care is your health care  
arizona health care cost containment system

“Reaching across Arizona to provide comprehensive quality  
health care for those in need”

# AHCCCS Update

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- AHCCCS Enrollment
- Budget Update
- Health Care Reform Update
- 2012 Goals and Strategies

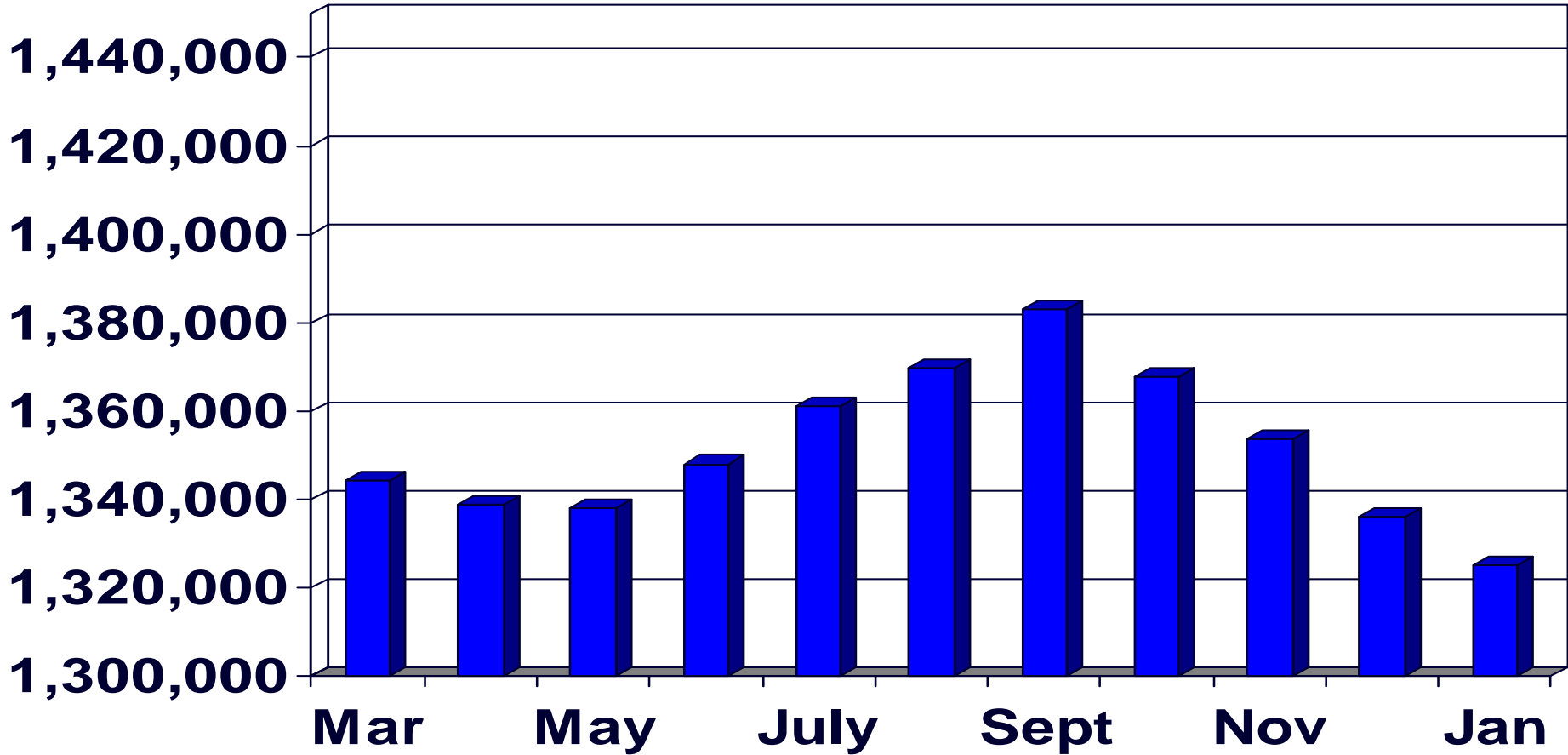


# AHCCCS Population

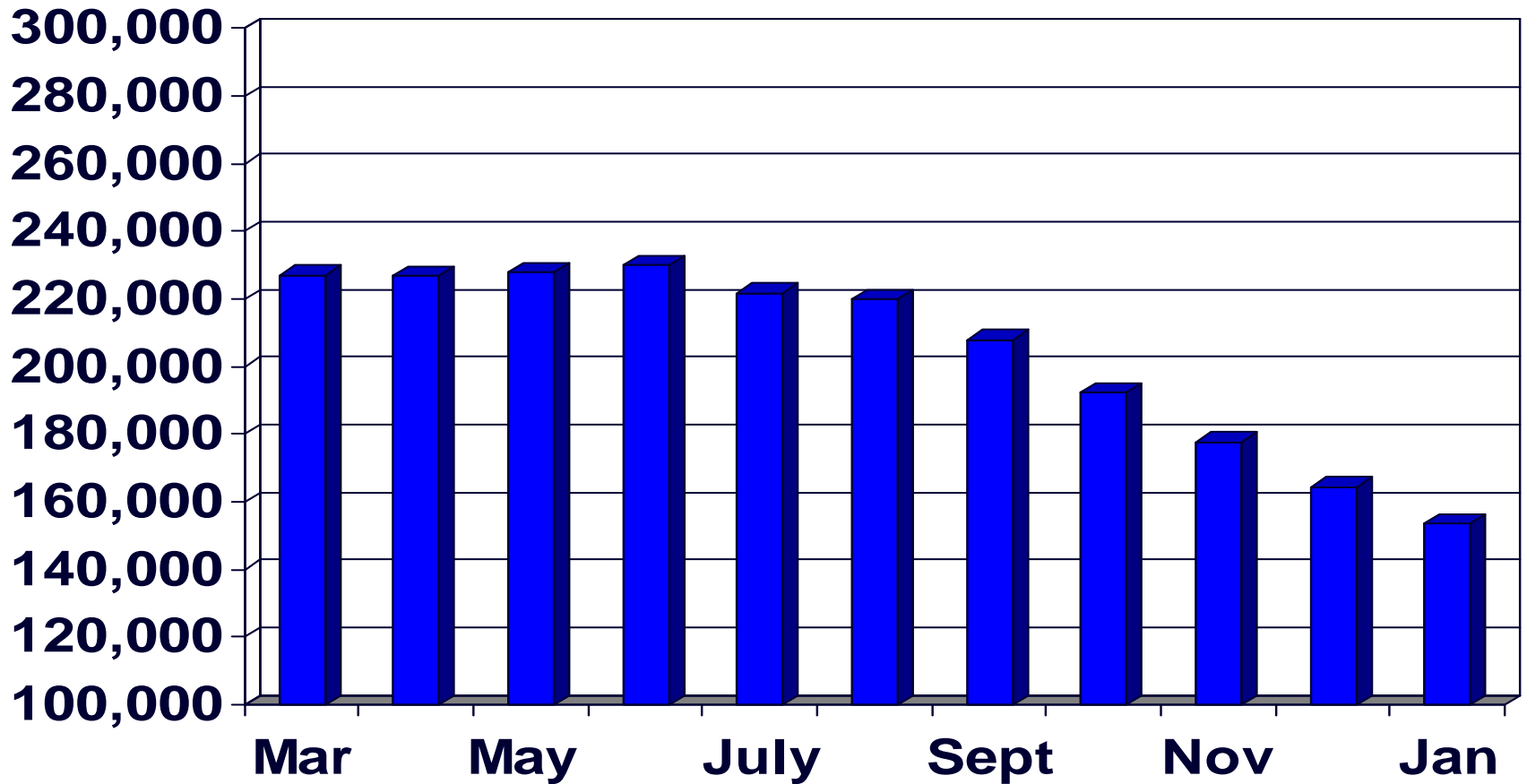
	1-1-2008	1-1-2009	1-1-2010	1-1-2011	1-1-2012
AHCCCS Full XIX	946,797	1,016,991	1,241,486	1,274,476	1,256,343
KidsCare	63,530	61,201	45,820	22,944	12,839
FES	76,089	73,697	74,647	44,791	55,824
Total	1,086,416	1,151,889	1,361,947	1,342,211	1,325,006



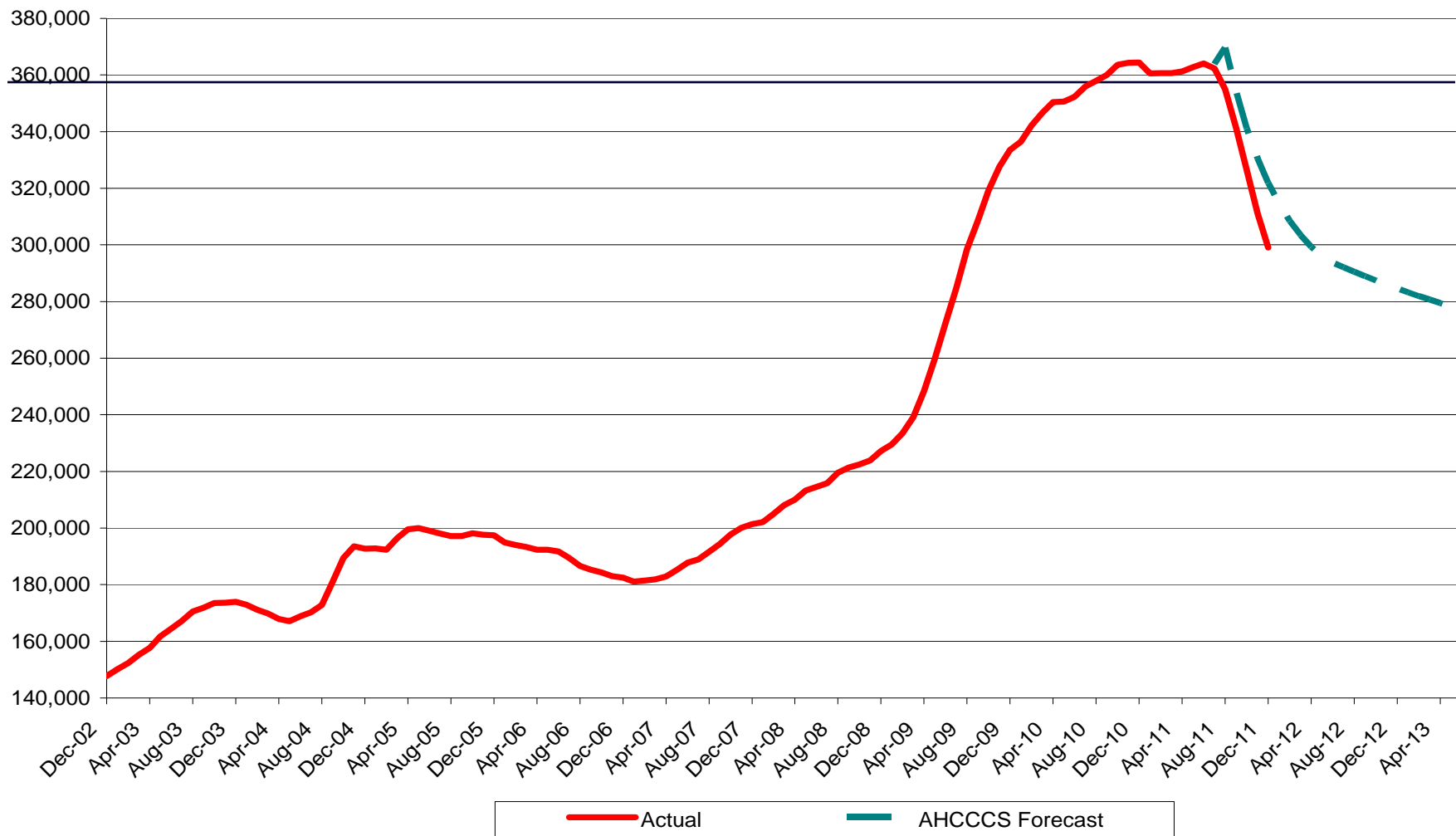
# Total AHCCCS Population



# 2011 Waiver Population



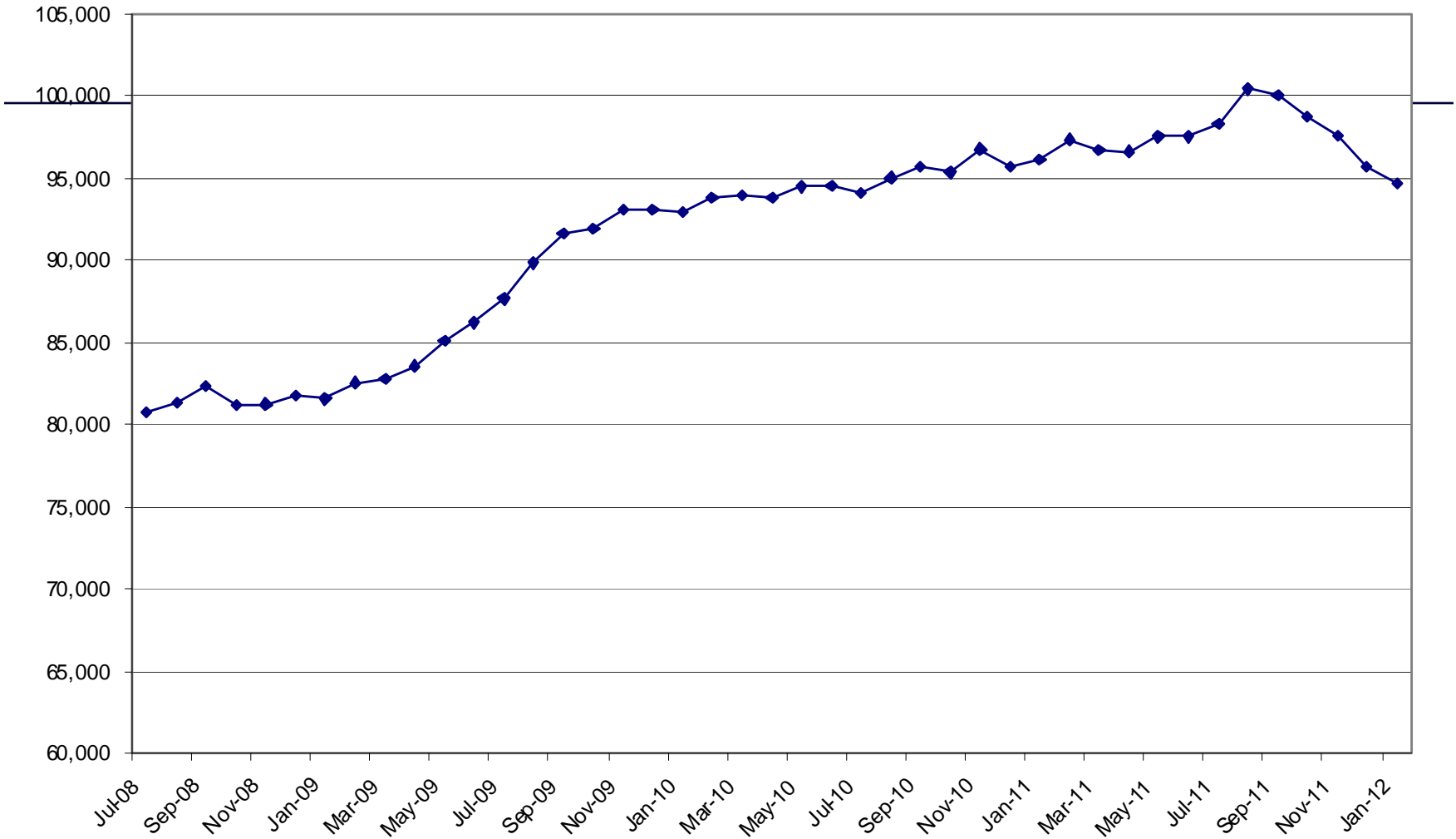
## Combined Proposition 204 Member Month Forecast



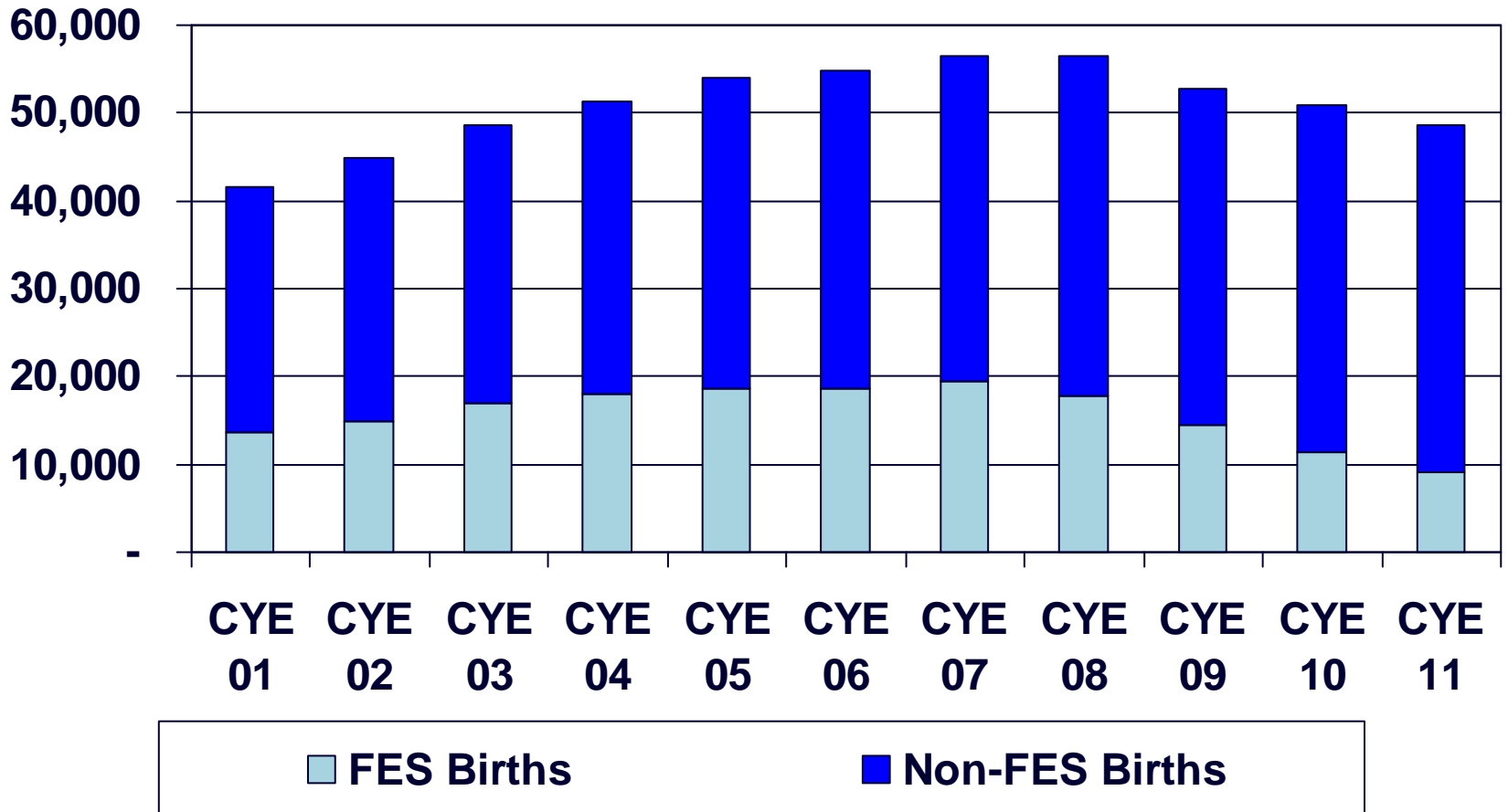
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## AHCCCS AHP Enrollment



# AHCCCS Covered Births







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# Budget Update



# State Economy & Budget Scan

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- ❑ State Economy and Budget Improving
- ❑ Unemployment (8.7%) first time below 9% since February 09
- ❑ FY 11 Estimated ending balance at end of 2011 session \$(332) million
- ❑ Actual FY 11 Ending Balance \$3.2 million
- ❑ Through November FY 2011 Revenues \$177.5 million over forecast (JLBC) – 8.2% growth
- ❑ FY 2013 discussion will actually be around surplus
- ❑ FY 2014 – One cent temporary sales tax expires – Health care reform requirements begin



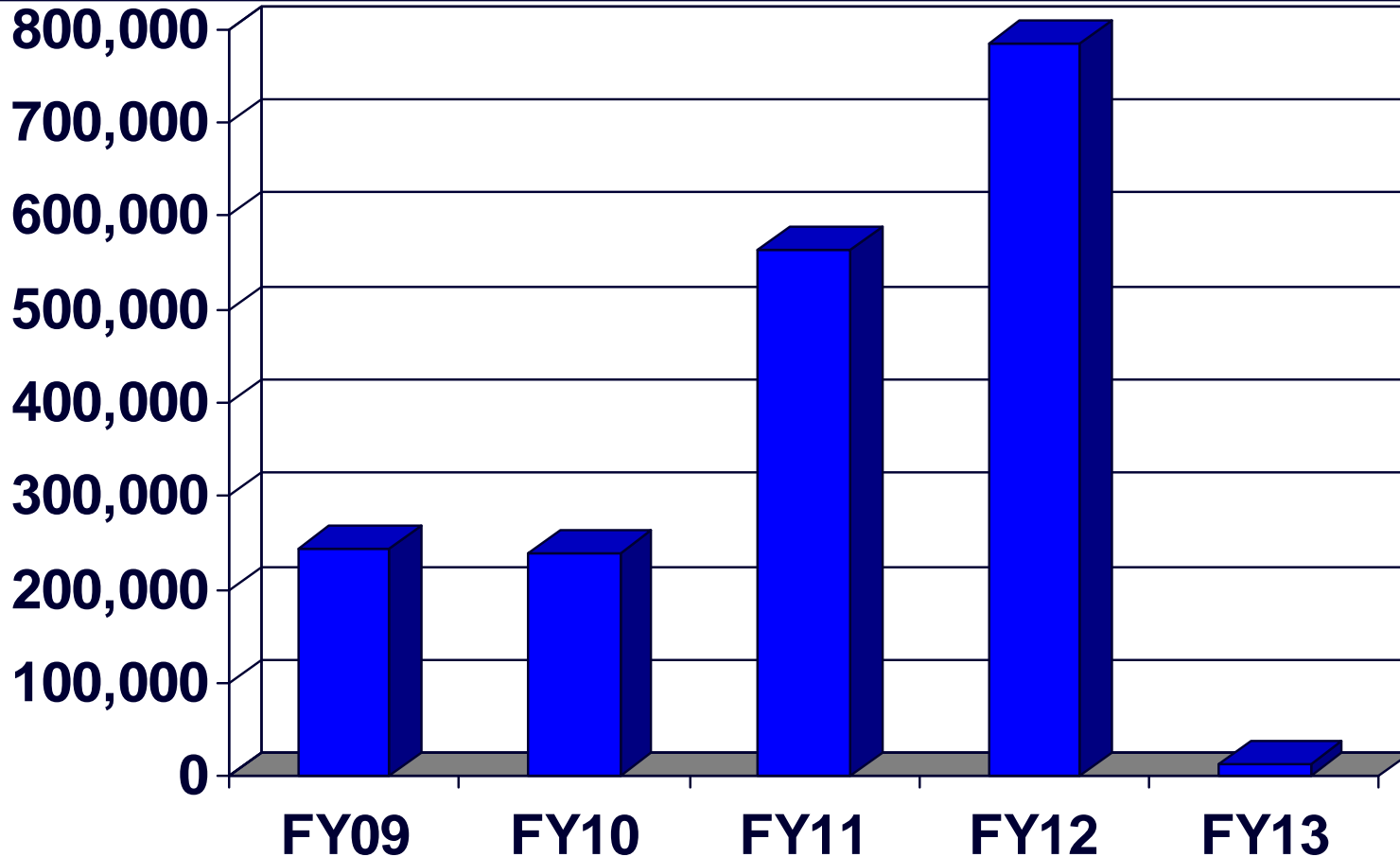
# AHCCCS Budget Status

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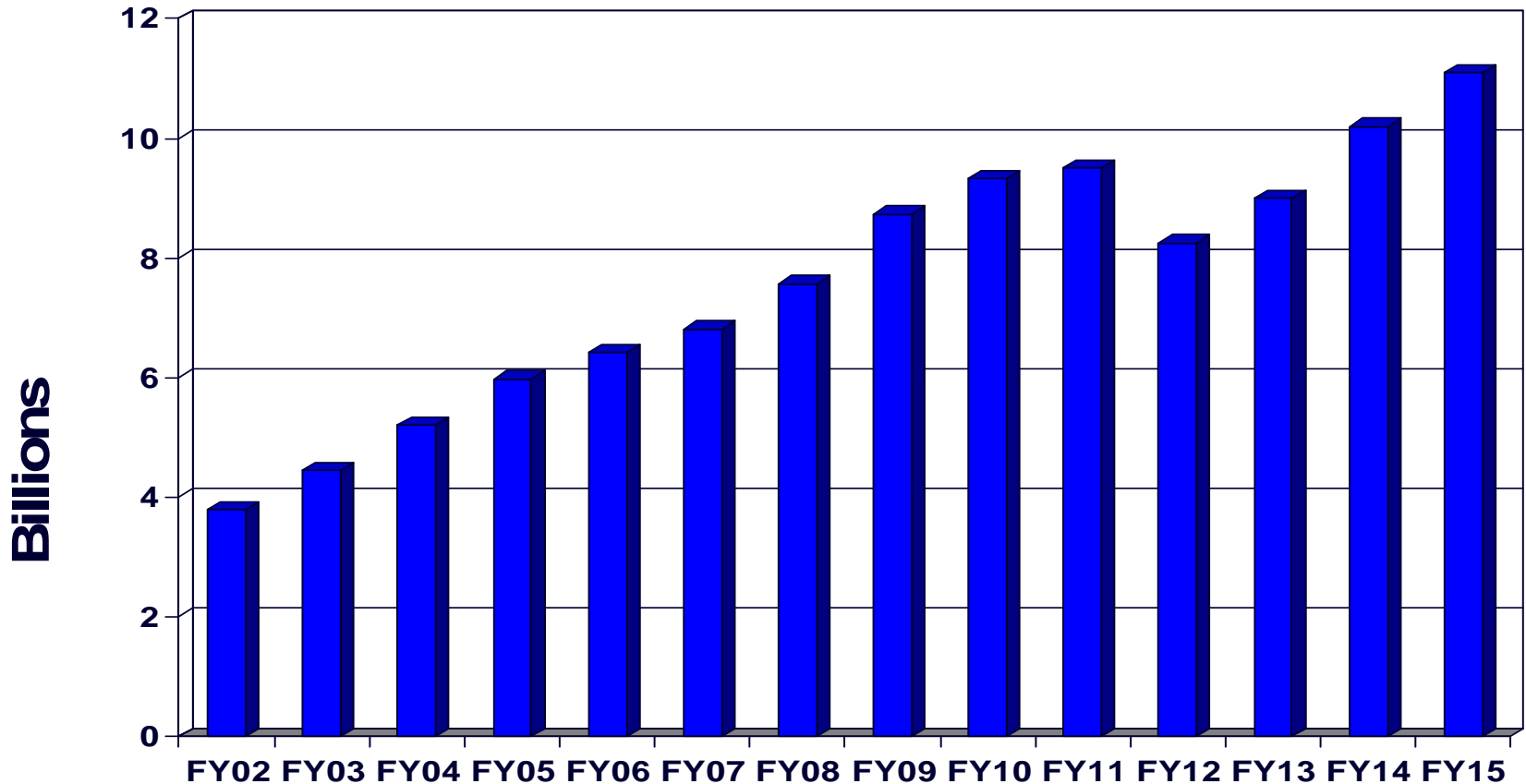
- ❑ Medicaid in FY 2012 is currently balanced
- ❑ Funds need to be moved between agencies
- ❑ Risks include ongoing lawsuits
- ❑ FY 2013 AHCCCS GF Request –very low
- ❑ Growth returns in FY 2014 & 15 with health care reform
- ❑ Short term savings (rates–services-benefits) have been maximized



# AHCCCS Budget Request Increases (in thousands)



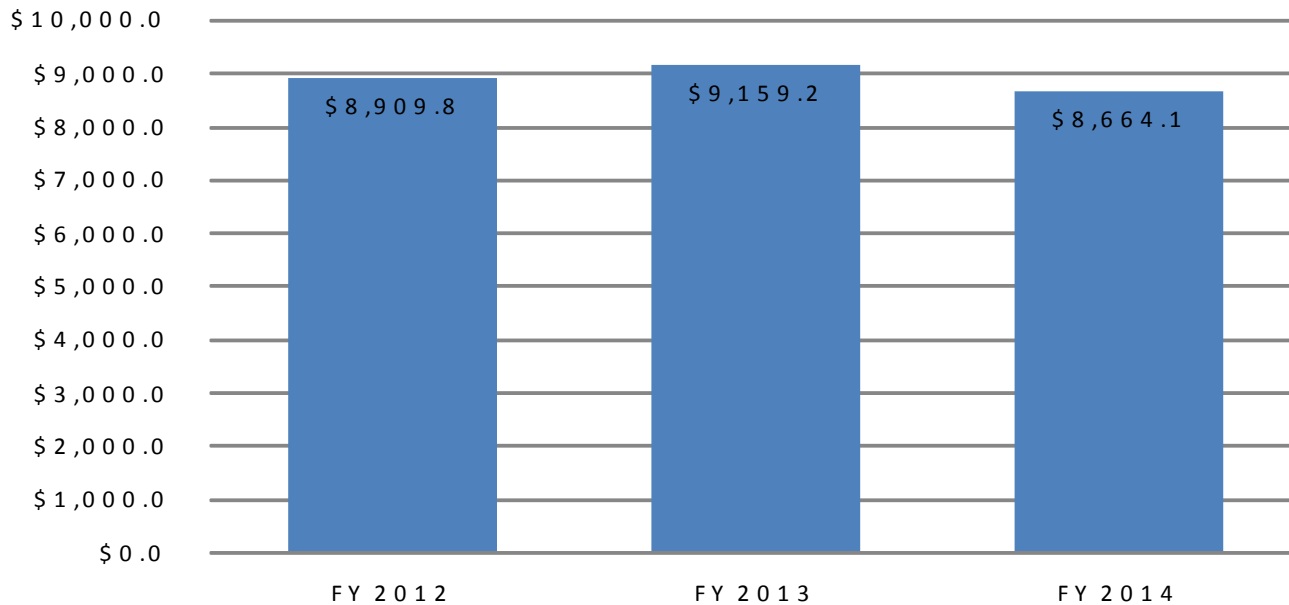
# AHCCCS Spending





# Total Revenues (in millions)

### Total State Revenues



**Note:**

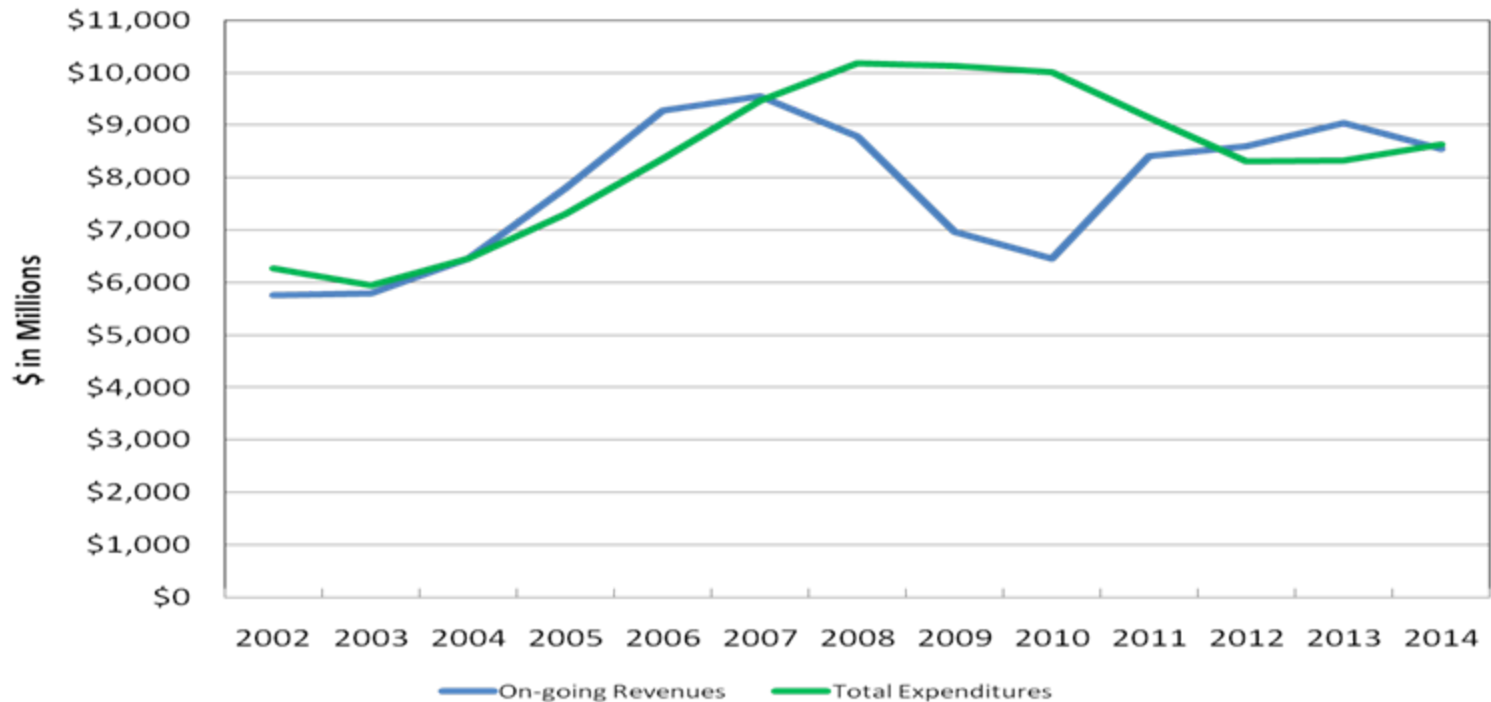
- Revenues are between FY 2006 & FY 2007 levels
- Total revenue amounts include impacts from expiration of Proposition 100 and phase in of existing tax reforms





# Baseline Budget Picture

General Fund Ongoing Expenditures and Revenues





# Executive Budget Principles

- ❑ Short-term decisions must be evaluated in light of their impact on the State's long-term fiscal health.
- ❑ Funding for a program will not be restored simply because funding has been provided in the past.
- ❑ Spending decisions must respect the wishes of citizens who, in voting for Proposition 100, recognized the importance of funding for education, health care and public safety.
- ❑ Temporary resources will be used to improve the State's long-term position.







# Total Spending

	FY 2012	FY 2013	FY 2014
On-going Spending	\$8,185,547.6	\$8,710,238.6	\$8,917,418.2
One-time Spending	\$335,439.0	\$253,063.1	\$5,115.5
Total Spending	\$8,520,986.6	\$8,963,301.7	\$8,922,533.7
Percentage Change	2.6%	5.2%	-0.5%

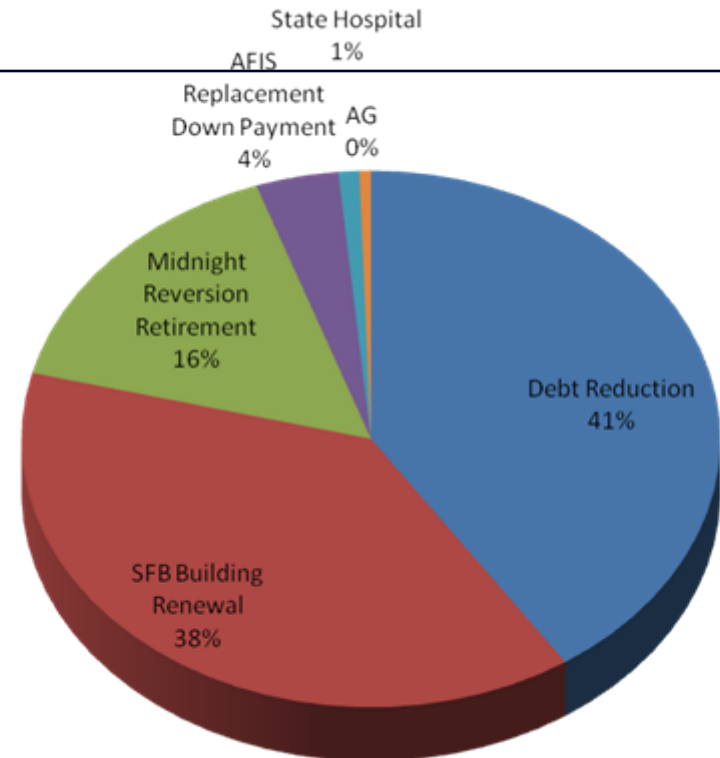
- Spending levels for FY 2012- FY 2014 are between FY 2006 and FY 2007 expenditure levels
- FY 2014 expenditures assume the implementation of federal healthcare reform



# The Budget: Summary

## FY 2012

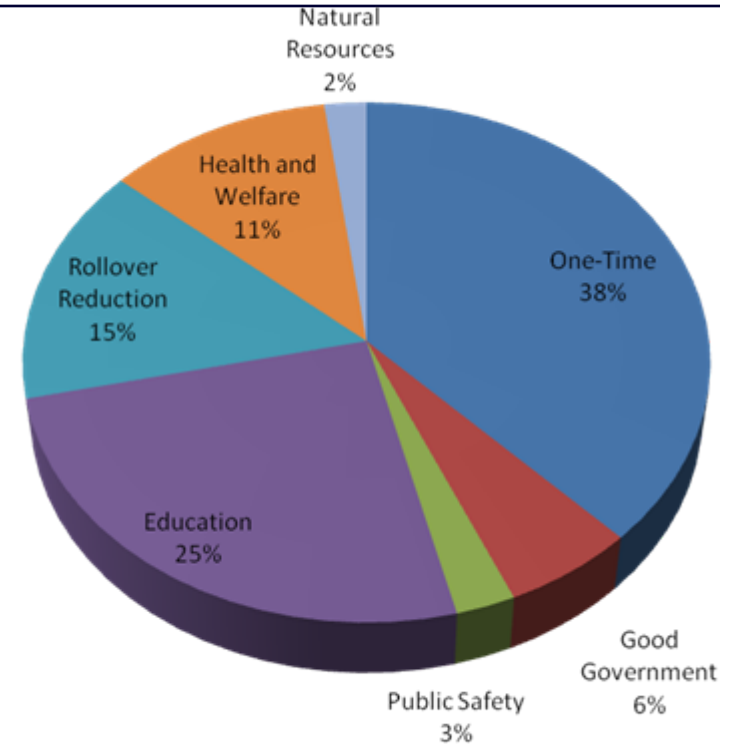
Debt Reduction	\$ 106.0
SFB Building Renewal	\$ 100.0
Midnight Reversion	\$ 41.0
IT Phase I	\$ 10.0
State Hospital	\$ 2.5
<del>AG Tobacco</del>	<del>\$ 1.4</del>
<b>Total</b>	<b>\$260.9</b>



# The Budget: Summary

## FY 2013

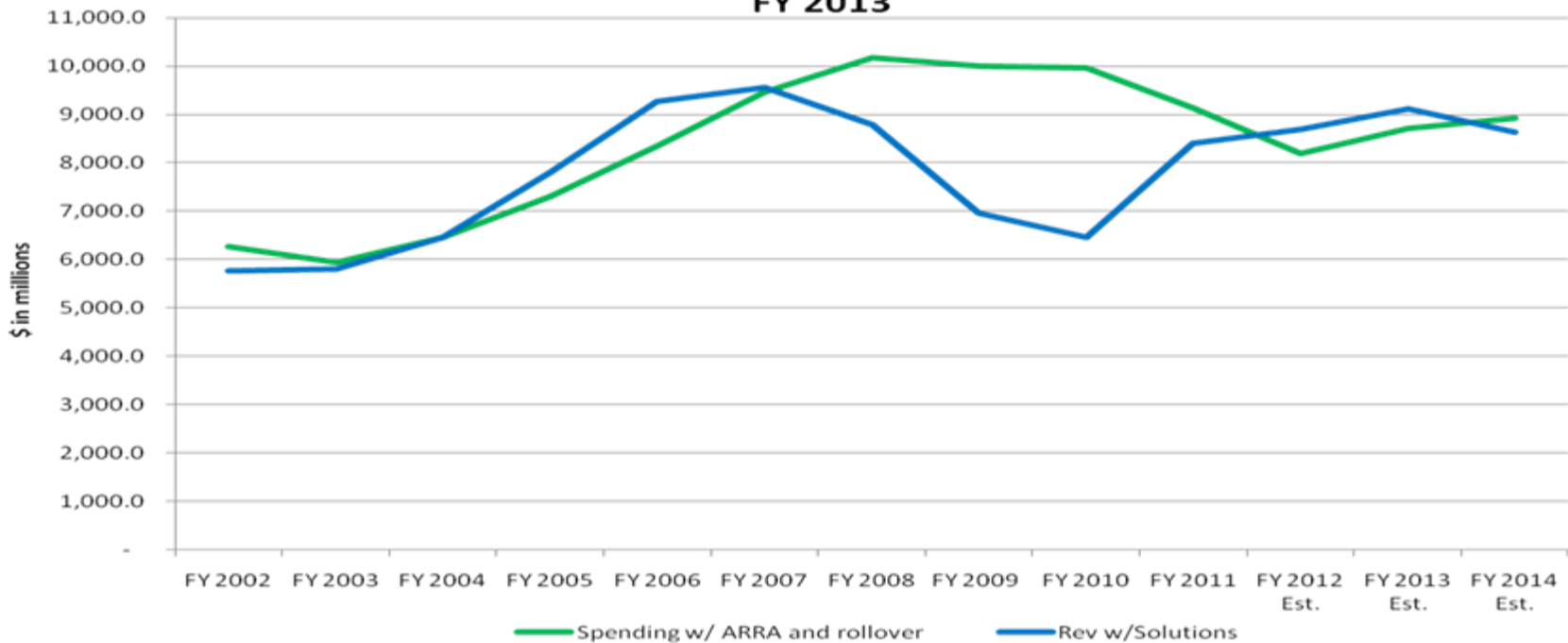
One-Time	\$ 253.3
Good Government	\$ 38.9
Rollover Reduction	\$ 100.0
Public Safety	\$ 17.5
Education	\$ 170.6
Health and Welfare	\$ 77.2
<del>Natural Resources</del>	<del>\$ 14.4</del>
Total	\$671.9





# Where We End Up

Arizona General Fund Ongoing Expenditures and Revenues FY 2002-  
FY 2013



# Executive Budget - AHCCCS

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- AHCCCS budget up \$32.6 million
- Assumes continued Prop 204 and KC freeze
- JLBC Baseline est. up \$43.5 million
- Caseloads – 4% growth – Cap rates – 3% cap (utilization) – JLBC 3% caseload – 0% cap?
- Executive - 3% provider rate increases – select providers





# Provider Rates

As part of Medicaid Reform, the State has adopted a series of rate cuts for Medicaid providers

Provider Groups	Prior to 4/1/2011	4/1/2011	10/1/2011
Hospitals	rate freeze	5% rate cut	5% rate cut
Physicians	5% rate cut	5% rate cut	5% rate cut
Ambulance (Emergency Transport)	5% rate cut	5% rate cut	5% rate cut
Behavioral Health Services	5% rate cut	5% rate cut	5% rate cut
Nursing Facilities	rate freeze	rate freeze	5% rate cut
Home Based Services	5% rate cut (+2.5% rate cut due to rebase)	2.5% rate cut	5% rate cut
Dental	5% rate cut	5% rate cut	5% rate cut
Ambulatory Surgery Centers	5% rate cut	rate freeze	5% rate cut
Community Alternative Residential Settings	5% rate cut	2.5% rate cut	5% rate cut

The Executive recommends no further rate cuts





# Provider Rates

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The Executive recommends a 3 percent rate (\$27 million GF) increase for:

- Physicians
- Behavioral Health Service Providers
- Nursing Facilities
- Home Service Providers
- Ambulatory Surgery Centers

Before implementing the increase, AHCCCS must complete a study to ensure the increases are consistent with federal law.

Adjustments exclude 100% FMAP rates for I.H.S and 638's



# Provider Rates ACA

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For calendar years 2013 and 2014, AHCCCS is required to reimburse

- ❑ Primary care services (as defined in the Act)
- ❑ Evaluation & Management codes that are covered by Medicare, and 8 vaccine administration codes
- ❑ Furnished by a physician (MD or DO) with a primary specialty designation
  - family medicine
  - general medicine
  - internal medicine
  - pediatric medicine
- ❑ At a rate not less than the Medicare rate **OR** the Medicare rate that would result from applying the 2009 Medicare conversion factor, whichever is greater
- ❑ Estimated cost of \$135 million to be included if ACA found constitutional

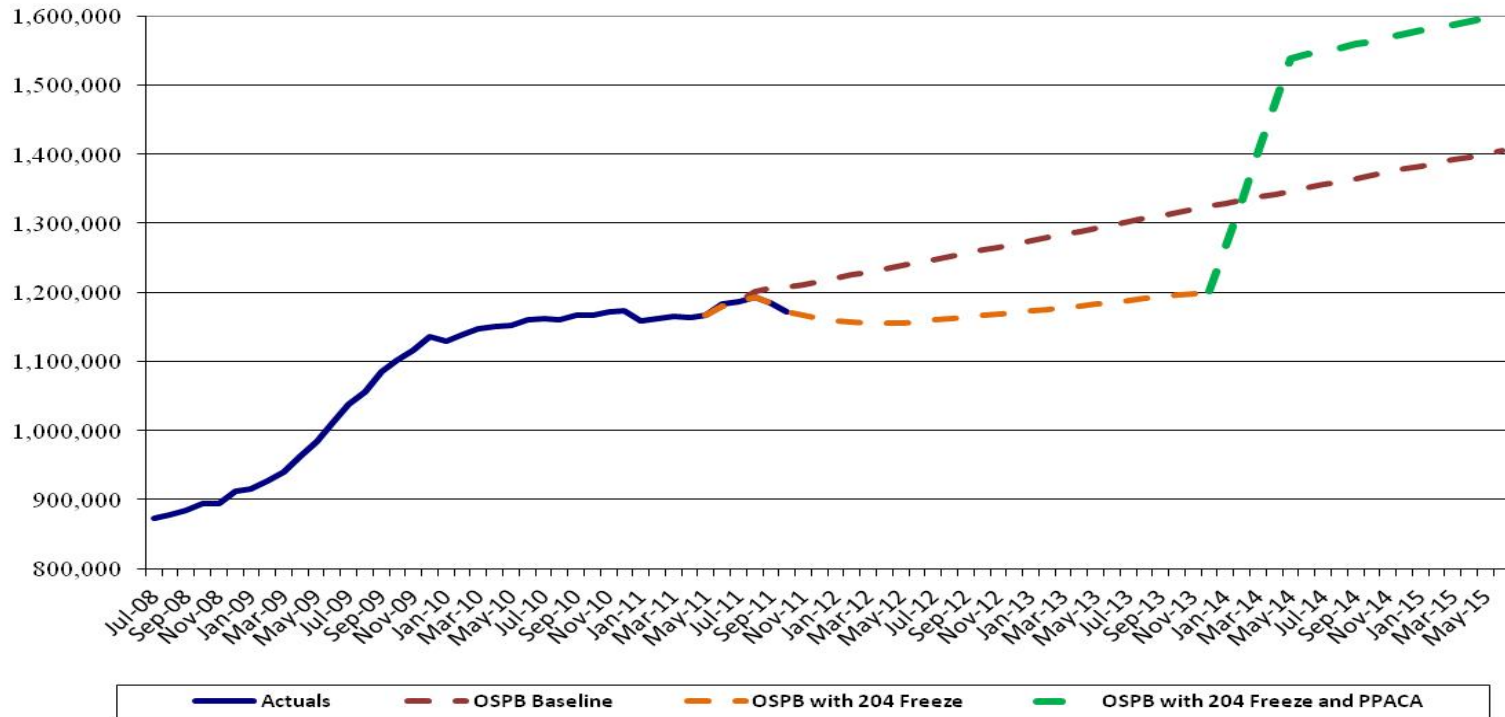






# Federal Health Care Reform

**AHCCCS TXIX Capitation Member Months  
Actuals and Forecasts**





# Impact of PPACA

## General Fund Impacts of PPACA

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Caseload			
AHCCCS	-	77,516,600	297,792,700
DHS	-	<u>41,490,200</u>	<u>108,235,900</u>
Total Caseload Costs		119,006,800	406,028,600
Primary Care Physicians	6,316,500	13,896,300	14,610,500
AHCCCS/DES IT Modifications	<u>2,500,000</u>	<u>1,500,000</u>	<u>-</u>
Total:	8,816,500	134,403,100	420,639,100

## PPACA Federal Match

Caseload			
AHCCCS	-	587,980,700	1,856,909,400
DHS	-	<u>335,923,000</u>	<u>830,137,600</u>
Total Caseload Match		923,903,700	2,687,047,000
Primary Care Physicians	61,225,200	134,695,400	148,164,900
AHCCCS/DES IT Modifications	<u>12,500,000</u>	<u>8,500,000</u>	<u>-</u>
Total:	73,841,100	1,067,099,100	2,835,211,900





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# 2011 Challenges and Results



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# FY 2011 Challenges and Results

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- *Budget – Budget – Budget*
  - 21.7% cut – largest in US – next biggest 9.5% -
  - Implemented population freeze instead of terminations
  - Worked to preserve core coverage and infrastructure
- *Health Care Reform* – Significant infrastructure progress – established internal staff – gap anal
- *Integration & alignment* – Timeline and collaboration on Maricopa RBHA and CRS
- *Native American Issues* – 13 consultations – waiver progress – State Plan reimbursement development



# FY 2011 Challenges and Results

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- ❑ *Sunset Audit – 2011 & 2012* – limited findings by auditors in TPL & eligibility beginning IG review
- ❑ *Waiver Renewal – Oct 2011* - Implemented
- ❑ *System Issues - 5010- ICD 10* – 5010 on track
- ❑ *Ongoing Legal Battles* – continued defense of State
- ❑ *Workforce* – trainings – turnover stable but ongoing concern
- ❑ *Stakeholder Relations* – challenged but much more active
- ❑ *RFPs – ALTCS* – no successful protests >8,000 members transitioned



# Health Care Reform Update

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## □ Exchange

- State awarded \$29 m for Exchange Establishment Grant for next year – includes funding for continued tribal consultation and planning
- State moving forward with IT planning and Qualified Health Plan Development
  - Developing Health E AZ as part of infrastructure
  - Significant RFP for Exchange Functions – Feb 2012
- Governor's Office, AHCCCS, DOI, DES, DHS all sit on Steering Committee
- Seeking Care Coordination between Medicaid - Exchange
- Still awaiting considerable Fed Guidance – one of 10 states selected by CMS for FMAP pilot





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# 2012 Goals and Strategies



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# 2012 Goals and Strategies

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*Goal 1 – pursue and implement long term strategies that bend the cost curve while improving the delivery and coordination of care*

1. Align and integrate model for SMI, CRS and dual eligible members
2. Maintain actuarially sound cap rates
3. Maintain and update annual Program Integrity Plan
4. Develop new payment reform opportunities





# 2012 Goals and Strategies

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*Goal 1 – pursue and implement long term strategies that bend the cost curve while improving the delivery and coordination of care*

## 5. Pursue Care Coordination opportunities

1. Medicaid – Exchange Coordination
2. Acute Plan – RBHA encounter sharing
3. Enhanced RBHA Care Coordination requirements
4. DFSSM Enhanced Care Coordination and discharge planning – Tribal members



# 2012 Goals and Strategies

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## *Goal 2 – pursue continuous quality improvement*

1. Track results and continue to hold plans accountable for performance –
2. Improvement through PIP – Pursue improvement opportunities around reduced potentially preventable readmissions
3. Maximize opportunities with HIT – Medicaid Incentive Payments – Meaningful Use – HINAZ tool



# 2012 Goals and Strategies

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## *Goal 3 – Maintain, leverage and further develop the healthcare service delivery model that emphasizes competition and market forces*

1. Retain strong network of providers and ensure access to care for members
2. Maintain competition among contracted plans
3. Waiver authority for SNCP and I.H.S and 638 flexibility
4. Develop appropriate eligibility infrastructure for October 1, 2013
5. Maintain RFP process that promotes competition and fairness



# 2012 Goals and Strategies

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## *Goal 4 – Maintain core organizational capacity and workforce planning that effectively serves AHCCCS operations*

1. Promote electronic processes for members, providers and staff
2. Manage stakeholder relationships
3. Manage workforce environment promoting training, advancement and knowledge retention
4. Ensure system security and IT infrastructure



# AHCCCS Program Integrity

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- Agency hired new Inspector General
- Even with 30% reduction in agency staff, resources dedicated to program integrity have increased
- Implemented Data analytics system
- Began match with Pima county jail system
- Centralized IG resources on WEB
- Implemented MVD picture ID on web verification (December)
- Saw increase of 6% in avoidance/recoveries
- Continued enhanced plan reporting
- Supported investigation for 19 successful prosecutions



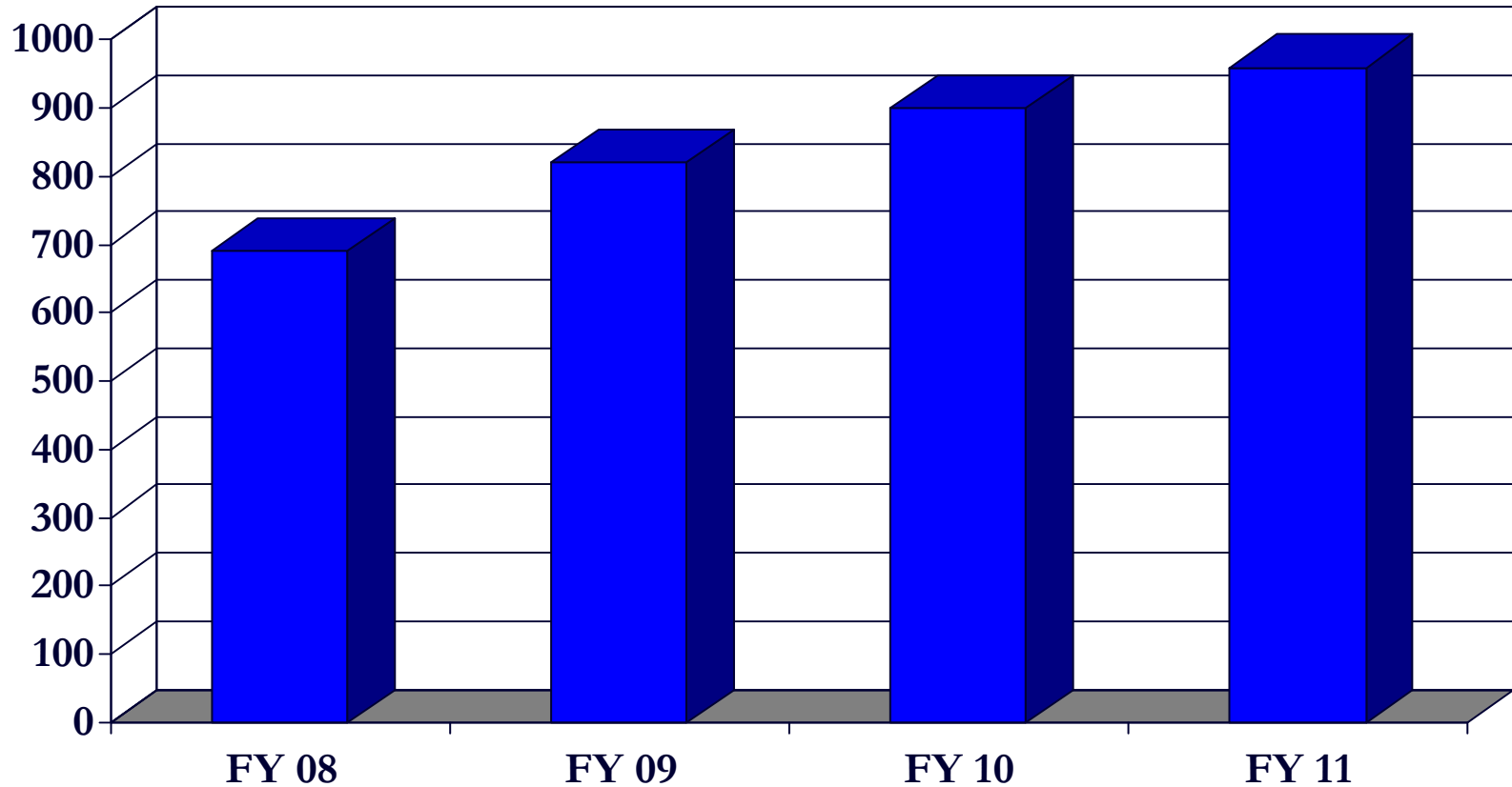
# PI Goals for 2012

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- ❑ Conduct evaluation of MCO Program Integrity efforts
- ❑ Assist Auditor General with evaluation/CMS Audit
- ❑ Continue to pursue opportunities for member compliance – Maricopa County
- ❑ Leverage external resources to evaluate data analytic capabilities
- ❑ Implement new ACA provider registration requirements
- ❑ Finalize RAS Scope of work - Determine RAC next steps – Participate in PERM



# AHCCCS Program Integrity (Avoidance and Recoveries in millions)





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# Questions???



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