Tribal Consultation

August 13, 2012

Topics to Cover

- Affordable Care Act Overview
- Supreme Court Ruling
- Executive Principles
- Engagement Process and Timeline
- Medicaid Decisions
- Medicaid Discussion

Topics to Cover

- Medicaid Update
  - Tribal Waiver
  - Care Coordination Efforts
  - Health Information Technology Payments
  - Updated AIR Payments

Topics to Cover this PM

- Exchange
- I.H.S and 638 providers as essential community providers
- Next Steps

Health Care Reform

- PPACA expanded Medicaid to 133% of the federal poverty limit on January 1, 2014.
  - Nationally Medicaid is estimated to grow by 16 million lives
- Create Health Exchange
  - provide tax credit subsidy for individuals from 100% to 400%
  - Nationally Exchanges are expected to cover 24 million lives by 2019
  - State needs to determine who will operate Exchange
- Made a number of commercial insurance reforms
- Established Individual Mandate

Supreme Court Ruling

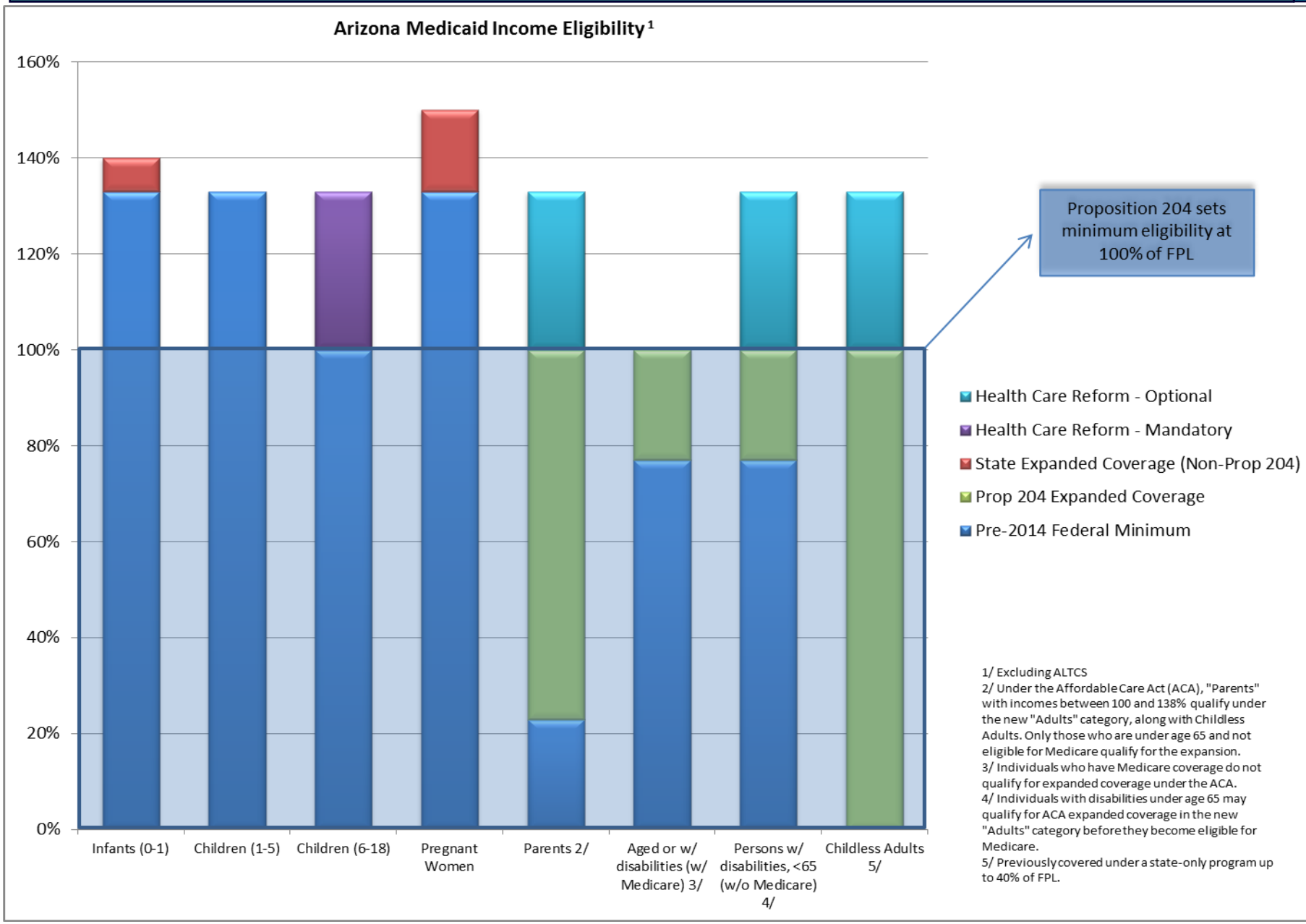
- Surprise –
- Individual Mandate – stands
- Medicaid – Justice Roberts

"*We disagree. The court today limits the financial pressure the Secretary may apply to induce States to accept the terms of the Medicaid expansion. As a practical matter, that means States may now choose to reject the expansion; that is the whole point. But that does not mean all or any will.*"

What does this mean for Arizona?

It is complicated

- Proposition 204 voter mandate
- Current freeze due to limited resources
- Federal waivers that expire on January 1, 2014 that provided temporary assistance for uncompensated care
- Executive seeking input on important decisions


Arizona Medicaid Income Eligibility 1
160%
140%
120%
100%
80%
60%
40%
20%
0%
Infants (0-1)
Children (1-5)
Children (6-18)
Pregnant Women
Parents 2/
Aged or w/ disabilities (w/ Medicare) 3/
Persons w/ disabilities, <65 (w/o Medicare) 4/
Childless Adults 5/
Proposition 204 sets minimum eligibility at 100% of FPL
Health Care Reform - Optional
Health Care Reform - Mandatory
State Expanded Coverage (Non-Prop 204)
Prop 204 Expanded Coverage
Pre-2014 Federal Minimum
1/ Excluding ALTCS
2/ Under the Affordable Care Act (ACA), "Parents" with incomes between 100 and 138% qualify under the new "Adults" category, along with Childless Adults. Only those who are under age 65 and not eligible for Medicare qualify for the expansion.
3/ Individuals who have Medicare coverage do not qualify for expanded coverage under the ACA.
4/ Individuals with disabilities under age 65 may qualify for ACA expanded coverage in the new "Adults" category before they become eligible for Medicare.
5/ Previously covered under a state-only program up to 40% of FPL.

Arizona Health Care Reform Guiding Principles

- Leverage the competitive, private insurance market to promote individual choice and reduce dependency on public entitlements, thereby maximizing coverage and strengthening Arizona's health care system.
- Recognize that, through Proposition 204, Arizona voters mandated coverage (within available resources) of individuals with incomes below 100% FPL.
- Identify enhanced federal match rate opportunities for the restoration of Proposition 204 as a sustainable component of the coverage solution based upon the principles of flexibility and state/federal partnership set forth in the AHCCCS Waiver.

Arizona Health Care Reform Guiding Principles

- Implement payment reform strategies that lower costs by promoting quality of care and by maximizing personal responsibility through innovative cost-sharing designs.
- Increase efficiency and responsiveness of Arizona's public health system by examining opportunities to streamline and consolidate duplicative agency functions related to the purchase and oversight of health care services.
- Work with health care, business and community stakeholders to build a high quality health care infrastructure that is patient-centered, sustainable, accessible and affordable.

Arizona Health Care Reform Guiding Principles

- Keep health care decision making as local as possible.
- Acknowledge the importance of the health care industry to the state's overall economy and the impact of a stable health care system on Arizona's ability to attract and retain high quality jobs, including those in the medical profession.

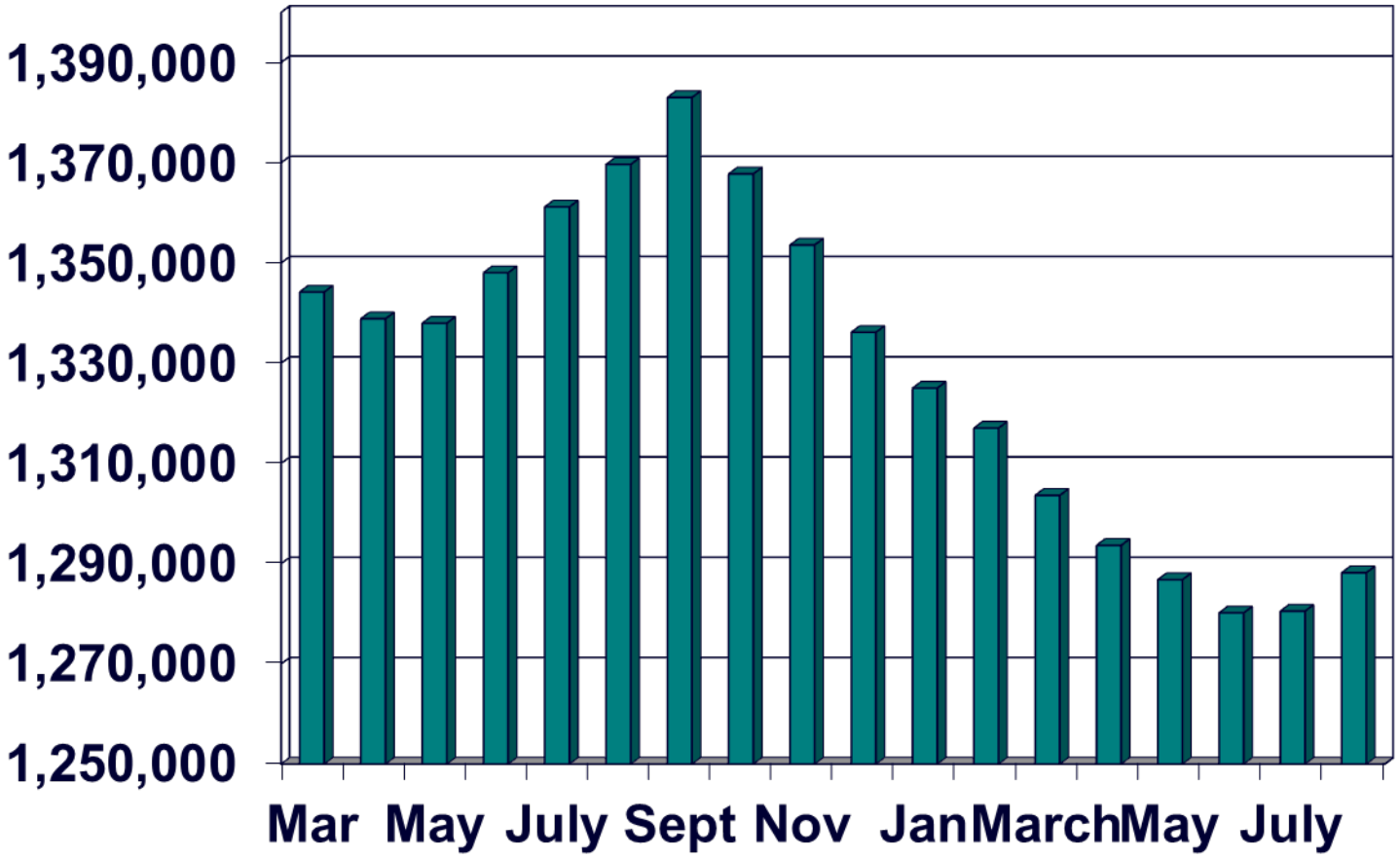
Process and Timeline for Deliberations

- Ongoing: Submit clarifying questions to Federal Government and await further guidance on Federal interpretation of Supreme Court ruling for Medicaid.
- August 2012: Update fiscal estimates on State options.
- July – November 2012: Engage stakeholders and obtain public input.
- November – December 2012: Incorporate final decisions into normal policy-making process.

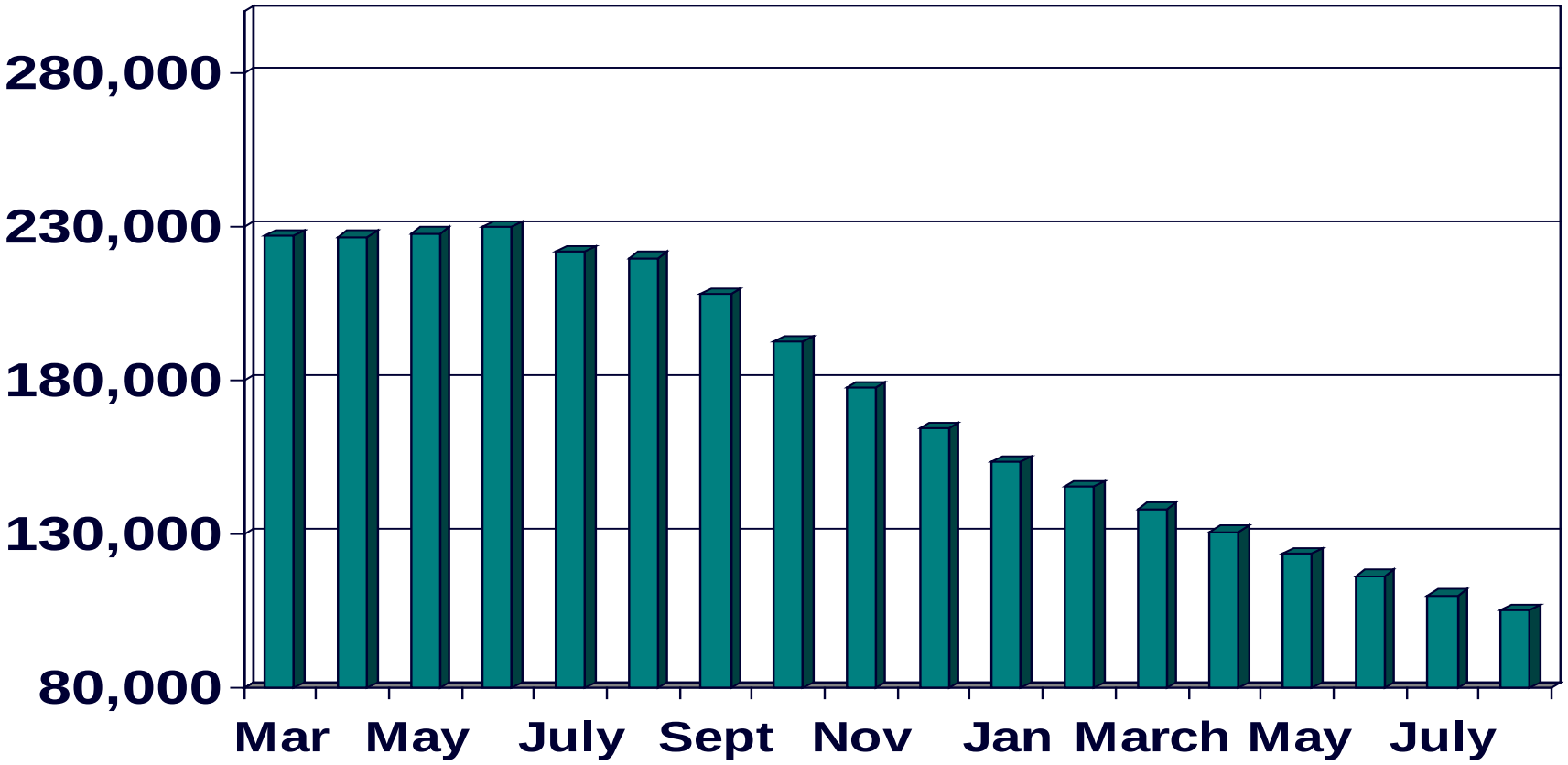
AHCCCS Coverage Solutions: Current Status of the AHCCCS Program

- Great Recession decreased State revenues by approximately 30% while AHCCCS enrollment increased by 30%.
- Reductions to State General Fund expenditures across the board were needed to address shortfalls.
- The AHCCCS program was reduced by over $2 billion.
- Some of these measures included:
  - Enrollment freeze for KidsCare on January 2010.
  - Phase out of Spend Down program that began May 2011.
  - Enrollment freeze for Childless Adult population (covered between 0% to 100% FPL) on July 2011.

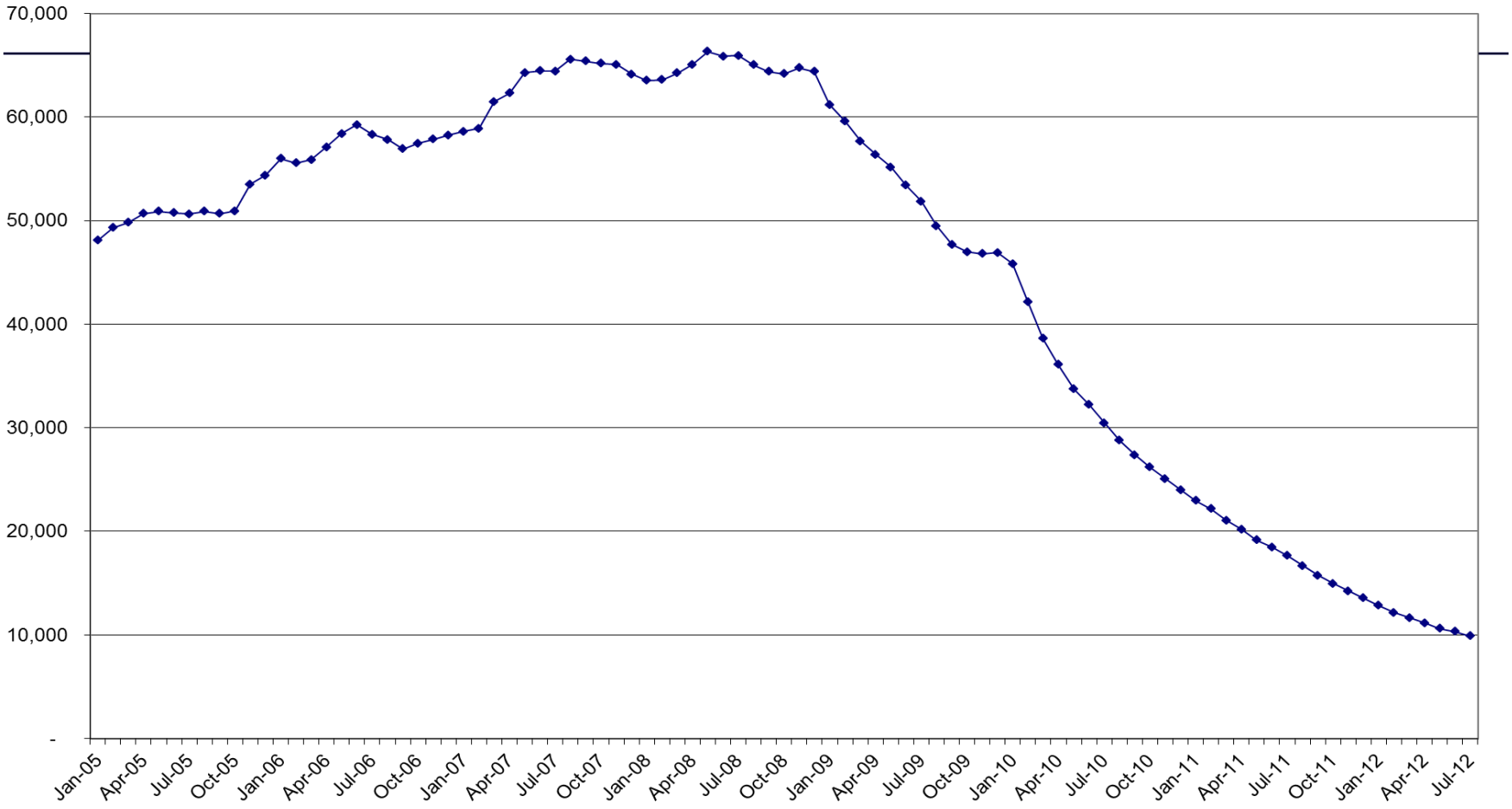
Total AHCCCS Population



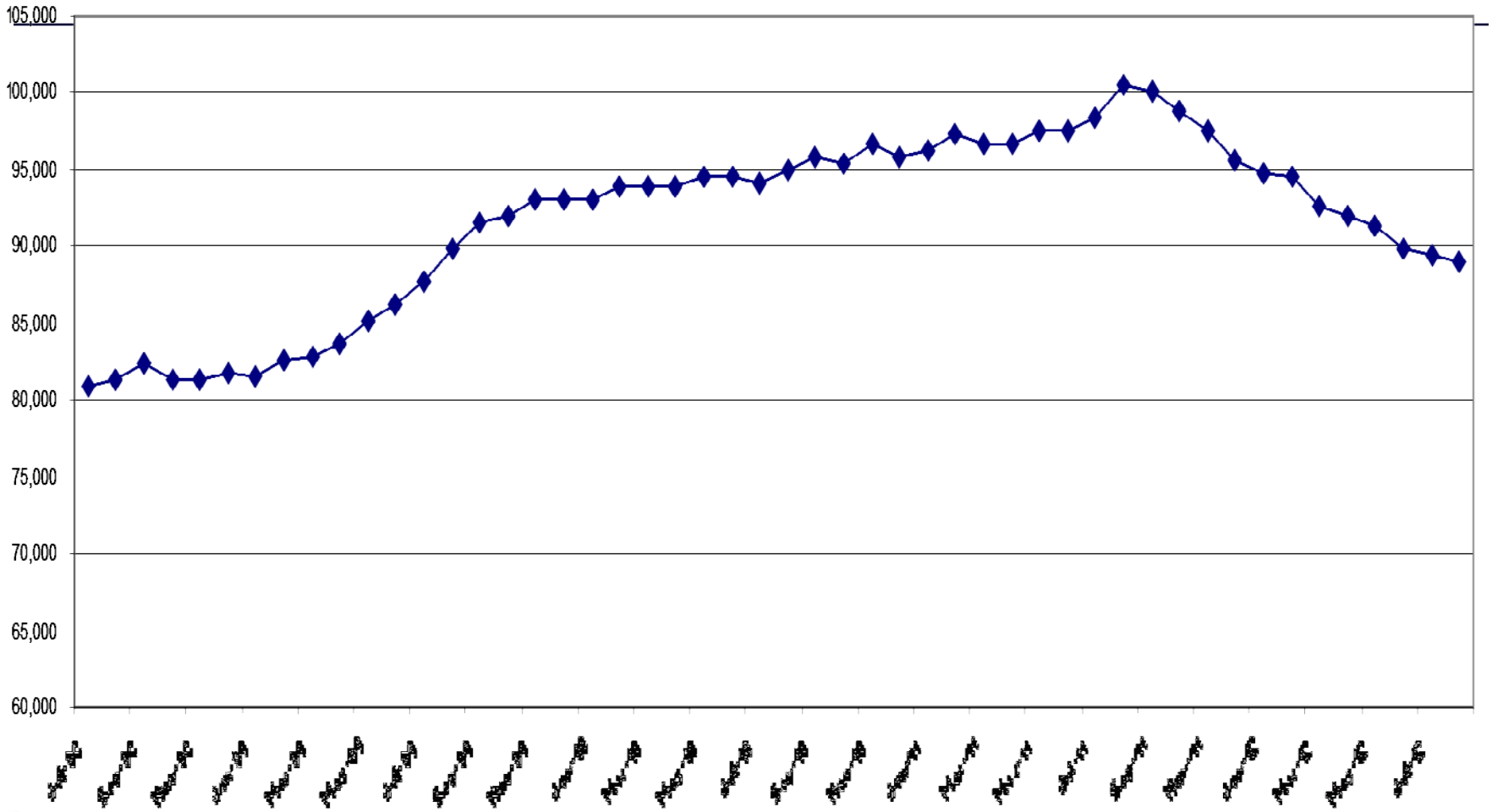
Childless Adult Population



ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
KIDSCARE ENROLLMENT



AHCCCS AIHP Enrollment



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

AHCCCS

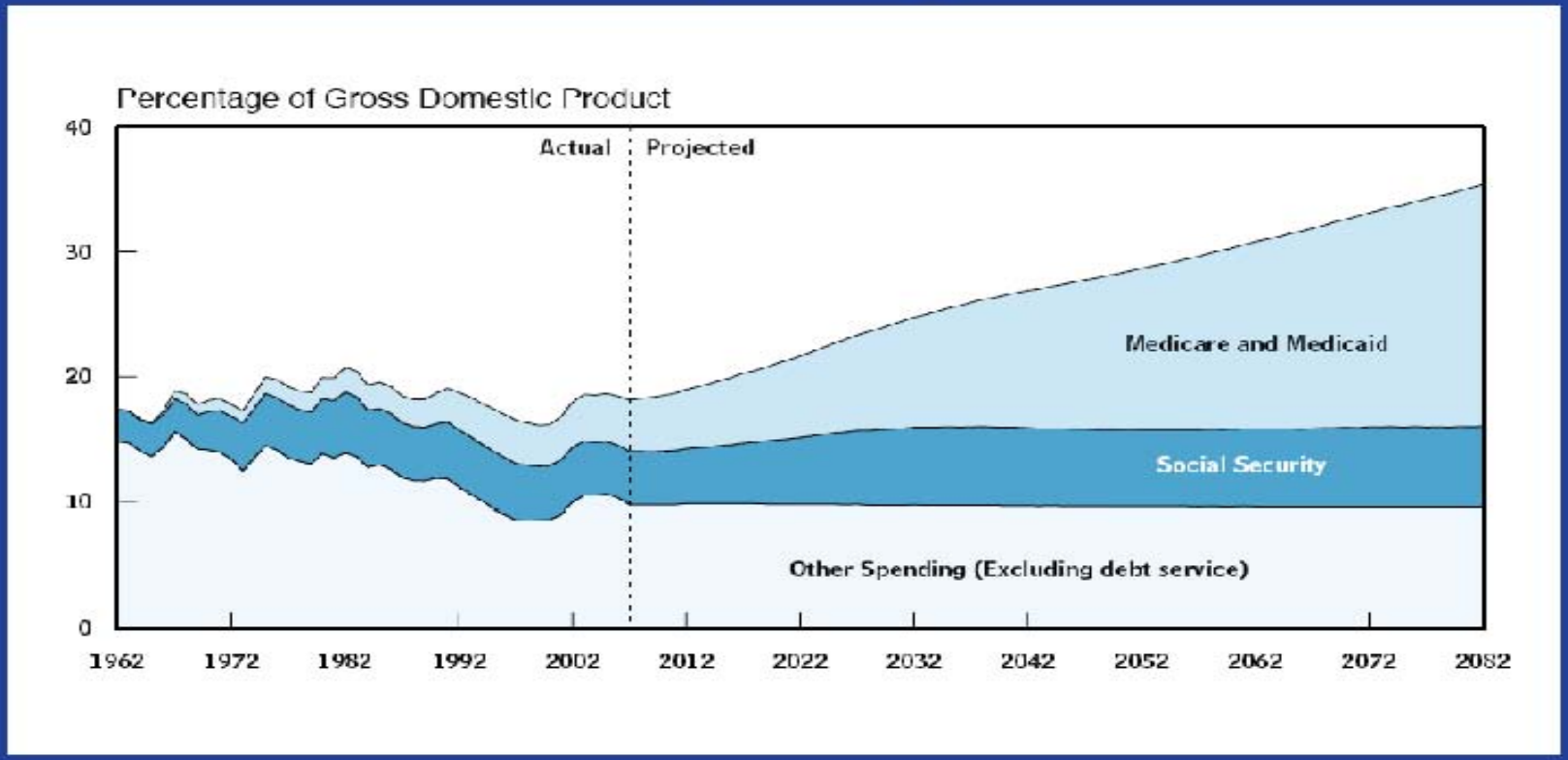
AHCCCS Coverage Solutions: Current Status of the AHCCCS Program

- Current Waivers that end Jan. 2014:
  - Freeze and coverage for Childless Adults
  - Safety Net Care Pool using local dollars to cover uncompensated hospitals costs ($332M program).
  - KidsCare II allowing coverage for 22,000 children using local dollars.
  - First-ever funding program to support uncompensated care costs for Indian Health Services and Tribally Operated facilities.

AHCCCS Coverage Solutions: Achieving Long-Term Sustainability

- Recent events demonstrate the challenges of achieving long-term sustainability of open-ended entitlement programs.
- In their current form, Medicare and Medicaid programs are unsustainable at the federal level; reductions of some kind are inevitable.

Medicare and Medicaid Are *the* Primary Drivers of Future Federal Spending Growth and Deficits



Source: CBO, Key Issues in Analyzing Major Health Insurance Proposals," December 2008.

HEALTH MANAGEMENT ASSOCIATES

AHCCCS Coverage Solutions: Achieving Long-Term Sustainability

- Although the AHCCCS program has achieved balance within its budget, concerns remain:
  - Prop. 100 temporary, one-cent sales tax expires July 1, 2013.
  - Proposed Quality Education & Jobs Initiative seeking to establish one-cent tax offers no help:
    - Directs funding for healthcare only to KidsCare.
    - Additional funding for KidsCare is not needed since federal government will cover 99% of KidsCare costs under ACA.
    - Offers no flexibility to support broader AHCCCS program.
  - State's budget was planned through Fiscal Year 2015, incorporating cost of full Medicaid expansion and resulting in $400M deficit.

AHCCCS Coverage Solutions: Building on a Tradition of Flexibility, Partnership

- Flexibility, partnership are cornerstone of AHCCCS success, mainly through 1115 Waiver, which:
  - Created first statewide, mandatory Medicaid Managed Care program (1982);
  - Permitted Home and Community Based Services to allow elderly and individuals with disabilities to stay at home instead of being placed in institutions for their care (1989).
  - Allowed coverage for Childless Adults in response to Prop. 204 (2001);
  - Supported personal responsibility through mandatory copays for Childless Adults (2003); and
  - Provides State ability to manage program during fiscal crisis.

AHCCCS Coverage Solutions: Requires Partnership with Federal Government

- Additional guidance needed on what populations are optional:
  - Confirm Children up to 138% FPL mandatory.
  - What about parents?
- Can Arizona obtain enhanced match for restoring childless adult coverage to 100% FPL, but not 133%?
- What type of flexibility will states have via 1115 waiver process?
- How will November elections impact policy direction?

Policy Opportunities and Considerations

- Opportunities for private, commercial coverage of:
  - Non-AHCCCS eligible individuals with Serious Mental Illness; impact on the State's role.
  - KidsCare eligible children.
- How to address state cost of Childless Adult population, which is not 100% federally funded?
- Need to assess impact of federal reductions to DSH.
- What is impact of converting FPL to new MAGI; what is actual FPL and what are associated costs?

Opportunities for Operational Efficiencies

- Currently, multiple agencies across state government are performing the same function of purchasing healthcare services for the State.
- Modernizing Arizona's healthcare infrastructure presents opportunities to consolidate some of these functions.
- Streamlining government functions supports best practices, leverages existing capacity and achieves greater efficiencies.
- The State could better focus on reform initiatives to align incentives in healthcare, pay for quality of care and not quantity of services, modernize reimbursement strategies (e.g., use of APR-DRGs), and pursue innovation grants.

Population Fiscal Summary

Population	FPL	Est. #	State Cost	Total
Children 6-18	100-133	44,000	$33 m	$124 m
Eligible not enrolled	0-133	137,000	$225 m	$656 m
Childless Adult Restoration	0-100	154,000	$170 m	$1.4 B
Childless Adult not previously enrolled	0-100	33,600	$37 m	$306 m
Optional Parent Expansion	100-133	42,000	$0	$289 m
Optional Childless Adult Expansion	100-133	18,000	$0	$165 m

Medicaid Policy Questions

- What is available in resources to restore Proposition 204?
- What flexibility will the federal government provide to the state going forward for this population?
- What match rate will the state receive for Prop 204 – standard or enhanced - $1.5 B difference (4 years)
- What should the state do regarding the adult population between 100-133% - Exchange or Medicaid?

Medicaid Discussion

I.H.S/638 Waiver Payment Update

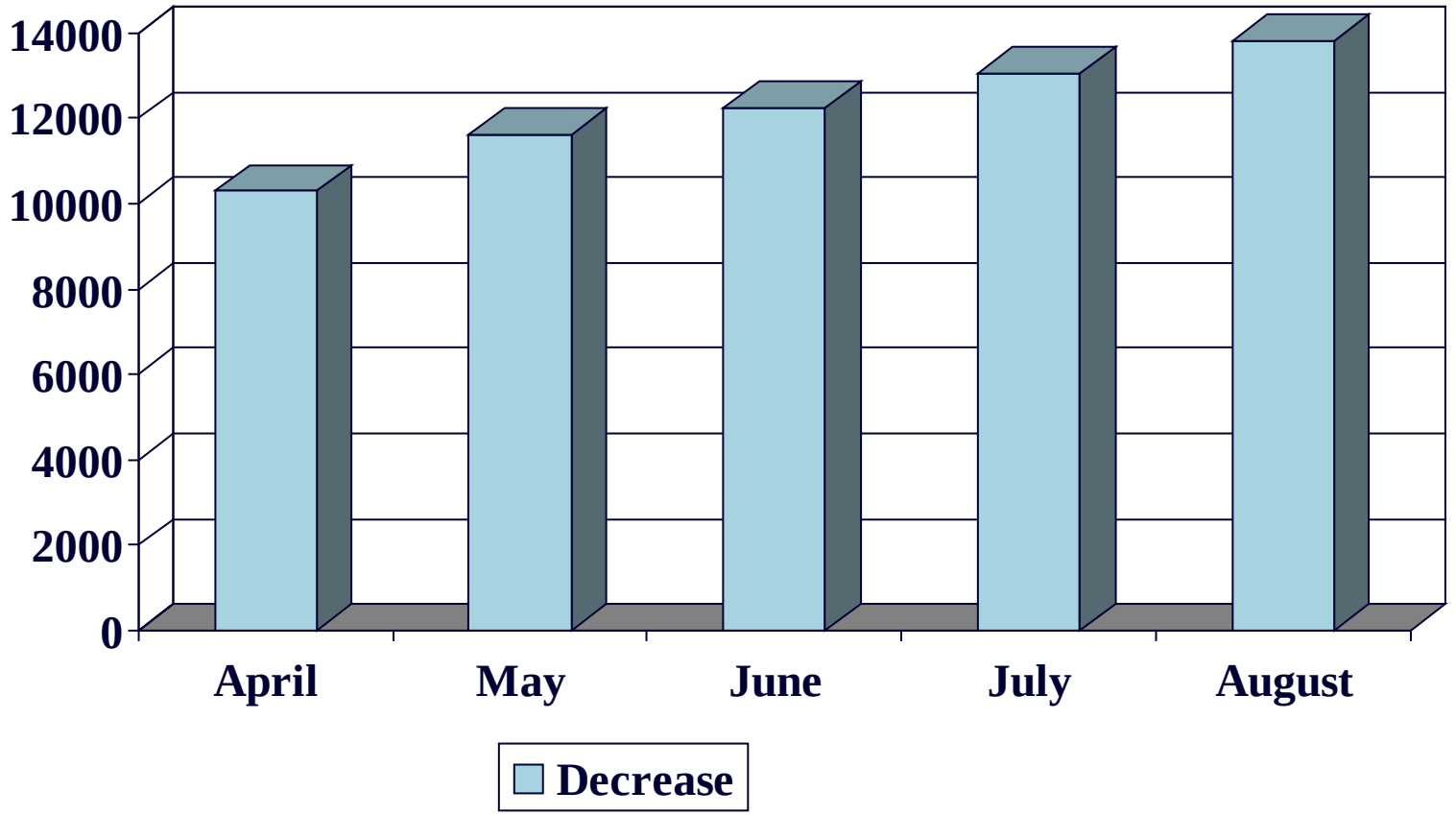
Option 1 To Date

- Option 1
  - 20 facilities selected
  - $10.6 m paid to date
  - If option 2 – facilities paid $9.6 m (April-June)
  - 13 of 20 facilities would have received higher payment with Option 2

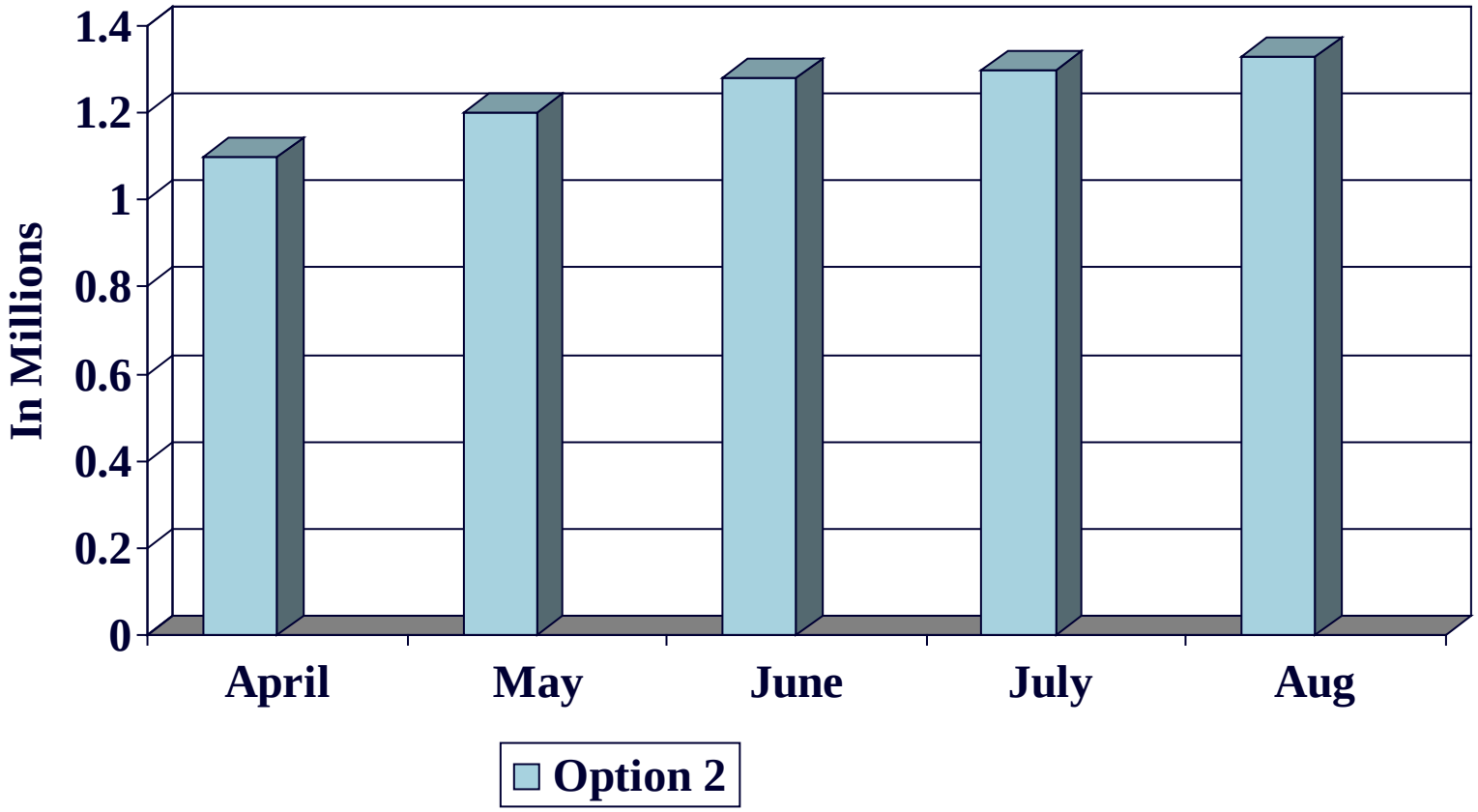
Option 2 – To Date

- 25 facilities selected Option 2
- Paid total of $6.4 million April through August
- August payment in process
- 12 facilities no selection – if select Option 2 payments to date - $438,000

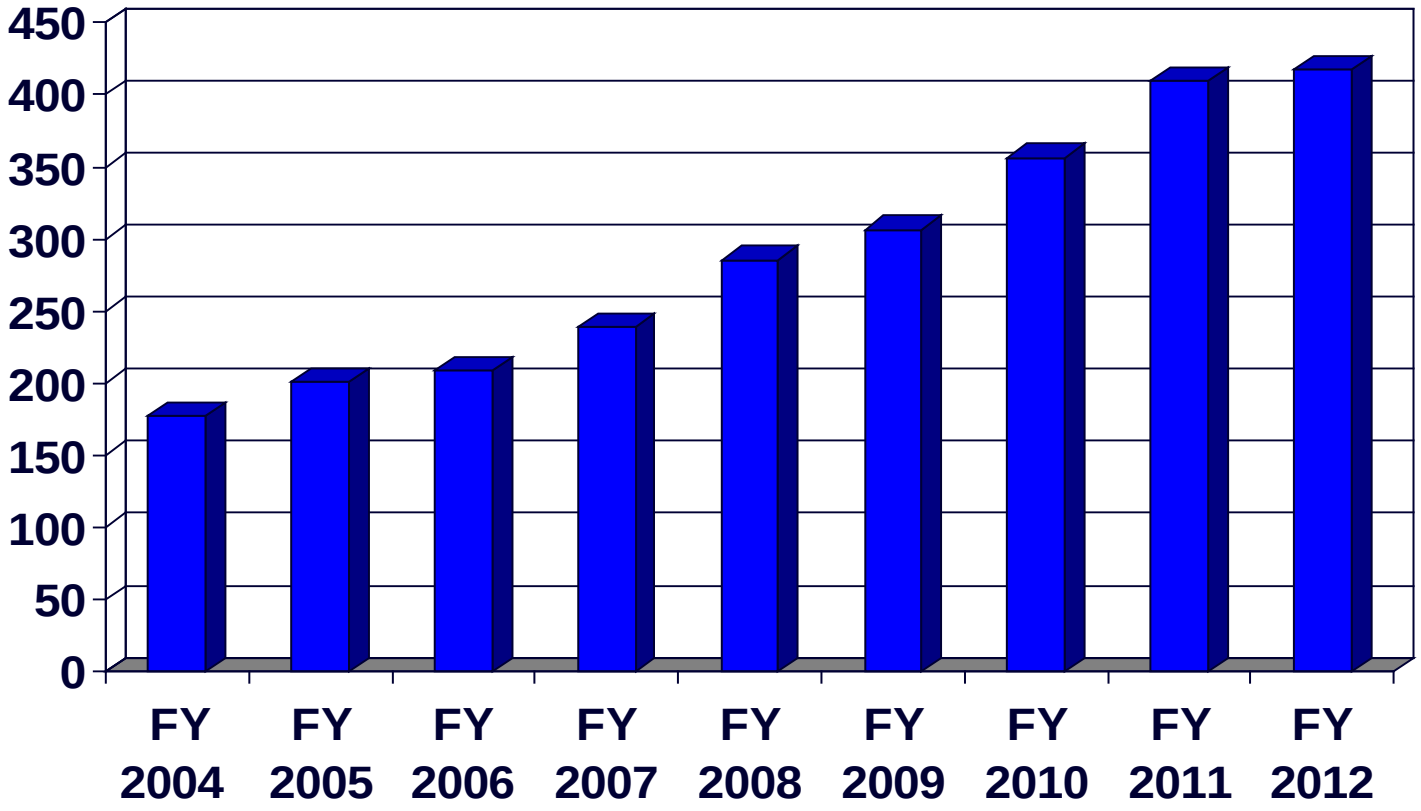
Decrease in Population applied to Option 2 payment



Option 2 payments



100% Federal Indian Health Services & Tribal Facility Payments (In Millions)



Health Information Technology Payments

- AHCCCS making payments to Hospitals and Eligible providers (physicians) for Electronic Health Record adoption
- To date Statewide
  - 47 hospitals paid $77 m
  - 986 Eligible Providers paid $20.8

I.H.S and Tribal Payments

- To date 3 I.H.S facilities
  - PIMC ($1.2 m) – Chinle $1.4 m – Sells $929k
  - Whiteriver – under review
  - Parker, Hopi and Kayenta – not applied
- 638 Facilities
  - Fort Defiance – working on 2012
  - Hu Hu Kam - $923,700
  - Tuba City – under review

I.H.S and 638 Providers

I.H.S Providers

- Expect next week to pay PIMC $1.8 million for 85 providers
- 160 more in process – Chinle – Four Corners – Kayenta – PIMC – Pinon – San Carlos – Shiprock – Tsaile – Tucson Sells

638 Providers

- Paid 2 – Winslow
- 60 more in process – Fort Defiance – Hu Hu Kam - Winslow

Care Coordination Strategies

- Care Management Coordinator
- AHCCCS working with 3 populations with Inpatient stay
- Long Term Care – contacting tribal case manager
- Newborns – contacting moms to coordinate pediatric visit
- Diabetic Patients – connecting member back to I.H.S & 638 system

Care Coordination

- 1,213 American Indians were born in 9 non I.H.S and 638 facilities during past year
- 1,053 American Indian Long Term Care members had an inpatient stay in non I.H.S and 638 facilities last year
- Goal - Improve health outcomes by reducing readmissions and increase use of primary care services

Questions????