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memorandum

Date: May 28, 2009
To: Anthony Rodgers, Director, AHCCCS
From: Roshni Arora, Joel Menges
Re: AHCCCS Benefits Reductions and Limitations
cc: Kate Aurelius, Kathy Busby

Over the past six weeks, we have been engaged by the Arizona Association of Health Plans to assist Arizona Health Care Cost Containment System (AHCCCS) staff in analyzing potential benefit reduction and limitation options. This memo summarizes the overall process of considering potential options that Lewin participated in, our role, and guiding principles for selecting the final benefit reduction and limitation recommendations.

We appreciate the opportunity to assist AHCCCS in creating these recommendations. We believe that the benefit elimination and limitation recommendations presented in the accompanying matrix were selected through a considerate, rational, and consensus-oriented process. The AHCCCS Benefits Committee worked sincerely to identify areas for cost savings that would minimize adverse impacts on the health status of AHCCCS beneficiaries. It must also be acknowledged that a reduction to any covered benefits has the potential to negatively impact beneficiaries.

In addition, the benefit elimination and limitation recommendations agreed upon by the AHCCCS Benefits Committee are generally consistent with the experience of other state Medicaid programs.

Process of Selecting Benefit Reductions and Limitations

The AHCCCS Benefits Committee was convened in the Spring of 2009 to provide input on the potential elimination or limitation of AHCCCS benefits. The AHCCCS Benefits Committee was comprised of several AHCCCS managed care organizations, including:

- Arizona Physician's IPA,
- Bridgeway Health Solutions,
- Care 1st,
- Health Choice Arizona,
- Mercy Care Plan,

- Phoenix Health Plan, and
- Senior Care Action Network.

The AHCCCS Benefits Committee met in-person several times to engage in a thoughtful process that considered all options and the impact on beneficiaries. Specifically, for each benefit that was considered, the AHCCCS Benefits Committee reviewed and discussed the:

- Number of members receiving each benefit,
- Total cost of services,
- Cost per utilizing member,
- Advantages and disadvantages of eliminating or reducing the benefit,
- Potential adverse effects on the AHCCCS population,
- Exacerbation of related chronic conditions,
- Cost shifting to other covered services, and
- Delayed access to care.

After the AHCCCS Benefits Committee reached a consensus on whether to eliminate or limit a specific benefit, AHCCCS staff further analyzed claims data to estimate the expected cost savings for both the state and federal share combined. The AHCCCS Benefits Committee further decreased each estimate by the extent to which beneficiaries would shift costs to other covered services and the degree to which beneficiaries' health status would be adversely affected by the eliminated or reduced benefit.

Lewin's Role in the Process

Lewin staff participated in a two-day meeting of the AHCCCS Benefits Committee in-person on April 30, 2009 to May 1, 2009. As part of this meeting, Lewin presented a survey of other state Medicaid agencies on benefit cuts or reductions that had been implemented or were planned. Subsequently, AHCCCS staff and the Benefits Committee directed Lewin to focus on analyzing potential benefits eliminations and limitations of the following services:

- Health risk assessment, screening, and diagnostic tests, including preventive medical visits, pap screening, mammography, colonoscopy, cholesterol screening, and PSA screening,
- Orthotics,
- Prosthetics,
- Occupational therapy,
- Physical therapy, and
- Non-emergency transportation.

Lewin focused on the "Waiver" population, which includes selected AHCCCS adults. Lewin's modeling included a benefit limit analysis of beneficiary cost and utilization data, where possible. For each option, Lewin estimated the:

- Gross savings (amount that AHCCCS would save by a given benefits limit),

- Net savings (amount that AHCCCS would save after accounting for cost shifting [e.g., use of other types of services]),
- Impacts on health status,
- Number of beneficiaries affected by a benefit limit,
- Percent of users of the service affected by a benefit limit, and
- Percent of all covered beneficiaries affected by a benefit limit.

Lewin also suggested benefit limit recommendations for the AHCCCS Benefits Committee to consider and provided information regarding experience in other states. Throughout the last six weeks, Lewin frequently participated in meetings with the AHCCCS Benefits Committee and AHCCCS staff through telephone.

Guiding Principles for Final Recommendations

The AHCCCS Benefits Committee adhered to the following guiding principles when selecting benefit reduction or limitation recommendations:

- Only consider acute adult benefits for reductions or limitations.
- Every effort should be made to consider what other services would be utilized in lieu of the elimination or limitation of benefits.
- Benefit changes must be able to be easily operationalized by AHCCCS and contractors. Changes that could not be implemented by existing information systems or service delivery system design should be rejected (e.g., limiting transportation by diagnosis is not possible as transportation providers are not qualified to make diagnoses).