Arizona's Medicaid Reform Plan
AHCCCS Activities

On March 15, 2011, Governor Brewer announced a plan to preserve Arizona's Medicaid program through reforms designed to reduce costs by an estimated $500 million in the State's General Fund. Many provisions of the plan are subject to federal approval either through Arizona's State Plan or 1115 Waiver. Below is information regarding implementation of the plan and the status of AHCCCS progress and federal approval. This document will be updated regularly.

On October 21, 2011, CMS approved Arizona's Section 1115 Research and Demonstration Waiver for a five-year period to begin October 22, 2011 through September 30, 2016.

A. Medicaid Eligibility Reforms

1. Changes to Childless Adults Program and Enrollment Freeze (Eff. 7/8/2011)

The Childless Adult program is for those persons not otherwise eligible for Medicaid[1] with income up to 100% FPL. As of May 1, 2011, there were 221,952 childless adults in the program. Eligibility for Childless Adults is derived exclusively from the AHCCCS 1115 Waiver. In a letter dated February 15, 2011, the Centers for Medicare and Medicaid Services (CMS) confirmed that Arizona would not be in violation of the Maintenance of Effort (MOE) requirements in the Affordable Care Act (ACA) if it did not renew coverage for this waiver population.

Rather than eliminate coverage for the Childless Adults altogether, the proposed new Waiver seeks to change the nature of the Childless Adults program in Arizona from an open-ended entitlement program to one based on available funds. This would provide the State with the flexibility to manage enrollment based on available funding, including adding to enrollment if additional funds are made available. This change requires a Phase Out of the current Childless Adult program, which freezes enrollment for this eligibility category beginning July 8, 2011. Individuals enrolled prior to July 8, 2011 will retain their coverage, but no new individuals will be made eligible in this category unless additional funding becomes available. The proposed Childless Adults program also includes an incentives strategy coupled with an annual fee assessed of smokers and a change in the eligibility redetermination period from 12-months to 6-months. No elderly, children, or individuals meeting the federal definition of disability will be impacted by this enrollment freeze or the incentives/annual fee.

→ *AHCCCS Progress*:

- March 31, 2011: AHCCCS submitted its revised Waiver Proposal to CMS.
- April 11, 2011: AHCCCS submitted a plan for the freeze and phase out of the existing Childless Adult program for CMS approval.
- May 2, 2011: Notice of Proposed Exempt Rule Making was posted on the AHCCCS website.
- June 1, 2011: AHCCCS held a Community Forum where the public had the opportunity to comment on the Phase-Out plan.
- June 20, 2011: The 30-day comment period closed.
- July 1, 2011: CMS approved the final phase out plan.
- July 6, 2011: The 2nd Community Forum was held.
- July 8, 2011: Enrollment for the Childless Adults program was frozen – eligibility systems no longer screen for childless adult program.
- July, 2011: AHCCCS submitted its monthly report on the MED Phase-Out
- September 20, 2011: AHCCCS issued guidance on renewing eligibility
- October 21, 2011: CMS approved Arizona's 1115 Waiver, which allows AHCCCS to maintain coverage for Childless Adults enrolled as of July 8, 2011, as long as such individuals continue to meet the State's eligibility criteria and redetermination requirements. CMS did not approve the requested incentive strategies and annual assessment fees or the redetermination changes.

[1] That is, they are not age 65 or older, blind, disabled, pregnant or do not have deprived dependent children in their household.

2. Medical Expense Deduction program Phase-Out (Begin Phase Out 5/1/2011)

The Medical Expense Deduction (MED) program is for those individuals not otherwise eligible for AHCCCS under any other category and who have medical expenses that reduce their income below 40% FPL. As of May 1, 2011, there were 6,035 MED members. Eligibility for MED is derived exclusively from the AHCCCS 1115 Waiver. In a letter dated February 15, 2011, CMS confirmed that Arizona would not be in violation of the MOE requirements in the ACA if it did not renew coverage for this waiver population.

On March 31, 2011, AHCCCS submitted its revised Waiver Proposal to CMS, which does not renew coverage for the MED program after the expiration of the current waiver on September 30, 2011. Beginning May 1, enrollment for the MED program is frozen and no new applications will be accepted for this category pursuant to the MED Phase-Out Plan approved by CMS. All individuals currently enrolled in the MED program will retain their coverage. Since eligibility for MED does not exceed 6 months, the May 1 freeze has the effect of eliminating the MED program by October 1, 2011.

→ *AHCCCS Progress*:

- March 16, 2011: A draft MED Phase Out Plan was submitted to CMS for approval.
- March 17, 2011: Notification of the Phase Out plan and the Notice of Proposed Exempt Rule Making were posted on the AHCCCS website.
- April 18, 2011: The 30-day comment period closed; comments are posted on the website.
- April 25, 2011: AHCCCS held a Community Forum where the public had the opportunity to comment on the Phase-Out plan. (link)
- April 29, 2011: CMS approved the MED Phase-Out Plan.
- May 1, 2011: The MED program was frozen.
- May 23, 2011: The 2nd Community Forum was held. (link)
- June 15, 2011: AHCCCS submitted its first monthly report on the MED Phase-Out Activities

3. Freeze New Enrollment of Parents between 75-100% FPL ~~(Eff. 1/1/12; not approved by CMS)~~

Coverage of parents between 75-100% FPL is an optional Medicaid expansion group under Section 1931 and Arizona's State Plan. This group is also referred to as TANF parents. About 60,000 parents between 75-100% FPL are enrolled in AHCCCS. The proposal would freeze enrollment for new parents between 75-100% FPL and no new applicants would be accepted in this category. Individuals already enrolled would retain their coverage. No children would be impacted by this enrollment freeze. In order to freeze eligibility for this income level, CMS must approve a waiver of the MOE requirement in the ACA.

→ *AHCCCS Progress*:

- March 31, 2011: AHCCCS submitted its revised Waiver Proposal to CMS.
- October 21, 2011: CMS did not approve Arizona's request; AHCCCS will NOT implement a freeze of new enrollment for parents between 75-100% FPL.

4. Eliminate Federal Emergency Services (FES) ~~(Eff.: 10/1/11; not approved by CMS)~~

Persons who qualify for Federal Emergency Services (FES) meet all other eligibility requirements for Medicaid under Arizona's State Plan except for citizenship or qualified alien status. Services are limited to those required to treat an emergency medical condition as defined by federal law. The proposal eliminates FES coverage. Eliminating this eligibility category would require a waiver of the MOE requirement in the ACA.

→ *AHCCCS Progress*:

- March 31, 2011: AHCCCS submitted its revised Waiver Proposal to CMS.
- October 21, 2011: CMS did not approve Arizona's request; AHCCCS will NOT eliminate FES.

5. Six Month Eligibility Redeterminations ~~(Eff. 10/1/11; not approved by CMS)~~

States have discretion to establish the frequency of eligibility redeterminations as long as redetermination occurs at least every 12 months. The proposal is seeking to change the redetermination time frame from every 12 months to every 6 months for 1931 parents and childless adults to ensure that only those persons who meet the eligibility requirements are maintained on the program. In order to implement this change for non-waiver groups (i.e. parents), CMS must approve a waiver of the MOE requirement in the ACA. If CMS approves this request, the 6 month redetermination process would apply to all redeterminations made after the effective date.

→ *AHCCCS Progress*:

- March 31, 2011: AHCCCS submitted its revised Waiver Proposal to CMS.
- October 21, 2011: CMS did not approve Arizona's request; AHCCCS will NOT implement a six month eligibility redetermination.

B. Personal Responsibility Reforms

6. Expand Mandatory Copayments and Cost Sharing ~~(Eff. 10/1/11; not approved by CMS)~~

A *mandatory* copayment is an amount paid by the AHCCCS member directly to a provider in order to receive a Medicaid covered service; services can be denied for failure to pay a mandatory copayment. Federal law only permits mandatory copayments for limited populations. AHCCCS currently has reached maximum limits on mandatory copayments for AHCCCS members as permitted by federal law. Thus, to expand mandatory copayments, AHCCCS requires waiver authority from CMS.

The proposal expands mandatory copayments for all adults, including those exempt under federal law and children to the same levels as the Transitional Medical Assistance population and adds copayments for non-emergency use of the emergency room as a requirement before receiving services. The proposal also requires annual fees for childless adult members who smoke, or who fail to meet steps that are within their control and outlined by their physician to manage a chronic disease.

→ *AHCCCS Progress*:

- March 31, 2011: March 31, 2011: AHCCCS submitted its revised Waiver Proposal to CMS.
- June 15, 2011: AHCCCS revised the proposal regarding annual assessments for childless adults to apply annual fees only for childless adult members who smoke.
- June 15, 2011: AHCCCS revised the proposal regarding mandatory copayments for ***children***. Copayments for children will ***not*** be assessed for well visits, prescriptions/pharmacy, or physical therapy, occupational therapy or speech therapy. Children in CMDP will be excluded from the copayment requirements.
- October 21, 2011: CMS did not approve Arizona's request to expand copays; AHCCCS will NOT expand mandatory copayments to all Medicaid populations, nor will it impose an annual $50 fee on Childless Adults who smoke. CMS will continue to allow AHCCCS to impose current mandatory copays on the childless adult population.

7. Penalty for Missed Appointments (Eff. 1/1/12)

In an effort to increase member accountability and provider satisfaction during a period of decreased funding for the program, the proposal includes a measure to allow healthcare providers to impose a charge for missed appointments. Missed appointment penalties are permitted in Medicare and similar charges are required of commercially insured patients. In February 2009, AHCCCS requested CMS guidance regarding charges by healthcare providers for missed appointments. CMS indicated that longstanding policy prohibits charging Medicaid recipients a missed appointment penalty.

→ *AHCCCS Progress*:

- March 31, 2011: AHCCCS submitted its revised Waiver Proposal to CMS.
- October 21, 2011: CMS approved Arizona's request to permit providers to charge a fee to childless adults and TANF parents outside of Maricopa and Pima counties who miss appointments. To allow time to address technical issues, implementation will be January 1, 2012.

C. Benefit Reforms

8. Restore Transplants Previously Covered (Eff. 4/1/11)

Federal law requires mandatory services be provided to all Medicaid members and allows states to cover additional optional services. Federal law also permits states to place limits on services as long as the services are sufficient in amount, duration, and scope to reasonably achieve their purpose. Coverage of transplants is optional and AHCCCS' federal authority to cover transplants derives from the State Plan. On October 1, 2010, AHCCCS implemented a number of benefit limits including the elimination of certain transplant types for persons age 21 years and older. The Governor's plan included restoring coverage for these transplants.

→ *AHCCCS Progress*:

- April 1, 2011: AHCCCS restored transplants previously covered.
- April 7, 2011: Notice of Proposed Exempt Rule Making was published on the website.
- April 21 2011: AHCCCS submitted SPA #11-005 to CMS
- May 6, 2011: The public comment period closed.
- May 16, 2011: Final rule published on the website.
- July 14, 2011: CMS approved SPA #11-005

9. Impose Benefit/Service Limits (Eff. 10/1/11)

Federal law requires mandatory services be provided to all Medicaid members and allows states to cover additional optional services. Federal law also permits states to place limits on services as long as the services are sufficient in amount, duration, and scope to reasonably achieve their purpose.

State Plan Changes. The proposal includes the following changes to the State Plan:

- 25-day inpatient hospital limit for adults; and
- ~~12-visit limit to the emergency department for adults~~.

→ *AHCCCS Progress*:

- July 24, 2011: SPA #11-012 Inpatient Hospital Limit submitted to CMS.
- July 26, 2011: AHCCCS decided not to pursue a 12-visit limit to the emergency department after receiving direction from CMS about federal requirements and limitations.
- October 1, 2011: CMS continues to review the SPA; approval will be retroactive to October 1, 2011.

Policy Changes. The proposal includes the following changes to AHCCCS policy:

- Respite Care. AHCCCS proposed a reduction in the amount of respite hours covered for Long Term Care members and enrollees receiving Behavioral Health Services (amount to be determined). Currently, AHCCCS covers 720 hours per year; the proposed reduction would cover 600 hours. Respite is a waiver service and limitations are listed in rule and in the AHCCCS Medical Policy Manual (AMPM).

→ *AHCCCS Progress*:

- June 23, 2011: AHCCCS held a Community Forum open to the public to hear directly from consumers and families as to how they use respite care and how the proposed reduction may impact them. A final decision was made to reduce the amount of respite hours to 600 hours based on the review of all comments presented at the meeting and submitted in writing.
- October 1, 2011: Reduction in respite hours implemented

10. Eliminate Non-Emergency Medical Transportation ~~(Eff. 10/1/11 not approved by CMS);~~ Copays for NEMT for Childless Adults in Maricopa and Pima Counties (Eff. 4/1/12)

Federal law requires non-emergency medical transportation (NEMT) be provided to all Medicaid recipients. The proposal eliminates NEMT for non-disabled childless adults and non-disabled parents in the expansion population in Maricopa and Pima counties, and institutes copayments for NEMT for non- disabled childless adults and non-disabled parents in all other counties. In order to implement this proposal, AHCCCS must obtain a waiver from federal regulations.

→ *AHCCCS Progress*:

- August 2010: AHCCCS requested authority to waive the requirement to provide NEMT for childless adults and individuals in the MED program in Maricopa and Pima counties.
- December 2010: CMS denied request.
- March 31, 2011: AHCCCS submitted revised Waiver Proposal to CMS including this request and proposed to review utilization data after one year and, if it is determined that the change results in a significant restriction in access to care, restore the benefit.
- October 21, 2011: CMS did not approve Arizona's request to eliminate NEMT; AHCCCS will NOT eliminate NEMT. CMS did approve authority to impose $4 (roundtrip) copays on taxi rides for childless adults in Maricopa and Pima counties. To allow time to address technical systems issues, implementation will be April 1, 2012.

D. Other Reforms

11. Modify Reimbursement Rates (Eff. 10/1/11)

The proposal reduces provider rates and managed care organization payments and eliminates the growth in outlier payments. Currently, AHCCCS anticipates that all provider rates will be reduced by 5% with exemptions *only* for Indian Health Services and 638 facilities receiving 100% federal pass-through funding, and hospice rates, which are set by the federal government. These changes will be made through the State Plan Amendment process.

AHCCCS Progress:

- May 26, 2011: Notice of proposed rulemaking re Outlier Reimbursement changes was published.
- June 7, 2011: AHCCCS posted information about Access to Care and Rate Comparison studies on its website.
- June 23, 2011: Rate Reduction SPAs were submitted to CMS.
- July 18, 2011: Notice of public information re Rate Reductions was published.
- October 1, 2011: CMS continues to review the SPAs; approval will be retroactive to October 1, 2011.

12. State Reimbursement of Medicare Liability ~~(Eff. 10/1/11)~~

For over three decades, state Medicaid programs, including Arizona, have paid for health care coverage for individuals who were eligible for Medicare but were not enrolled in Medicare because of errors in the methodology used by the Social Security Administration (SSA) to determine federal disability benefits. The SSA has acknowledged this error and implemented the Special Disability Workload (SDW) project to correct the error. The proposal seeks $40 million in reimbursements for payments that were made by the State but should have been made by Medicare. More information on this issue can be found here: Background on Medicare Liability.

→ *AHCCCS Progress*:

- March 31, 2011: AHCCCS submitted its revised Waiver Proposal to CMS.
- October 27, 2011: CMS did not approve Arizona's request. The Secretary sent notice to State Governors that she does not have the legal authority to grant a waiver to resolve this matter administratively. See the link for more information, including the Secretary's letter.

13. Avoid Indian Health Service Cost Shift ~~(Eff. 10/1/11)~~

AHCCCS provides care for qualified American Indians who receive services at Indian Health Services (IHS) or 638 facilities with 100% federal dollars. This proposal seeks federal authority to exempt benefit restrictions and eligibility changes for those services and benefits obtained through IHS or 638 facilities to ensure the viability of their programs. In addition, the State is still seeking similar authority to exempt benefits eliminated on October 1, 2010. More information about this request can be found on the Federal Activities page.

→ *AHCCCS Progress*:

- March 31, 2011: AHCCCS submitted its revised Waiver Proposal to CMS.
- October 21, 2011: This request is still pending before CMS.

14. 340 B Pricing (Tentative implementation date: 2/1/12)

AHCCCS is exploring alternative payment methodologies to reduce its costs for drugs dispensed by FQHCs and FQHC Look-a-likes ("340B entities"). Since the passage of the Affordable Care Act in March 2010, AHCCCS began participating in the Medicaid Drug Rebate Program. As a result, the Agency has significantly reduced the cost of medications provided to AHCCCS members through retail pharmacies as well as the cost of physician administered medications provided to AHCCCS members. However, not all medications dispensed by pharmacies qualify for rebates under the Medicaid Drug Rebate Program. Some medications provided through 340B entities are not eligible for drug rebates because these entities purchase certain drugs at deep discounts ("340B pricing"). The changes are intended to provide reasonable compensation to 340B entities for the cost of dispensing the drug, while requiring these entities to pass on the savings from 340B pricing to AHCCCS when those drugs are dispensed to AHCCCS members. More information can be found in the links below.

→ *AHCCCS Progress*:

- August 31, 2011: SPA #11-015 submitted to CMS for federal approval
- September 23, 2011: Notice of Proposed Rule Making published
- October 23, 2011: The public comment period closed

15. Safety Net Care Pool and Arizona Health System Improvement Pool ~~(Eff. 10/1/11)~~

Pursuant to SB1357 signed into law by Governor Brewer on April 25, 2011, AHCCCS is authorized to use local funds to provide care to individuals who will no longer be covered through AHCCCS under the new waiver proposed to begin October 1, 2011. Under this state authority, AHCCCS is proposing to establish a Safety Net Care Pool ("SNCP") and the Arizona Health System Improvement Pool (AHSIP). The SNCP would fund the unreimbursed costs incurred by eligible providers in caring for the uninsured and AHCCCS populations. Such SNCP programs have been established in multiple states including Massachusetts, California, Texas and Florida, under authority of their respective Medicaid Section 1115 waivers. The SNCP is important because it gives political subdivisions, like counties, cities or special health care districts the opportunity to directly support hospital systems in their areas. The SNCP proposal would be time limited until January 1, 2014. The AHSIP would support delivery system transformation to improve provider efficiency and enhance quality of care for AHCCCS patients.

→ *AHCCCS Progress*:

- May 18, 2011: AHCCCS submits information regarding SB1357 to CMS
- July 29, 2011: Original proposal submitted to CMS
- October 21, 2011: This request is still pending before CMS.
- November 28, 2011: Governor Brewer announces Revised proposal submitted to CMS

Future Long Term Reforms:

16. Innovations in Medicaid

While Arizona is nationally recognized as one of the most integrated and efficient Medicaid models in the country, opportunities exist to continue to innovate and build upon AHCCCS' mature model. Specifically, AHCCCS is seeking authority in the following areas:

- ***Payment Reform***. AHCCCS is seeking the ability to partner with providers and health plans to improve quality outcomes. To support those types of initiatives, AHCCCS needs waiver authority to allow the agency to enter into shared saving arrangements in order to reward health plans and providers for achieving goals, such as reducing hospital admissions or readmissions.
  → *AHCCCS Progress:* August 4, 2011: AHCCCS will pursue payment reform flexibilities under available authority in setting capitation rates, which does not require a waiver.
- ***Care Integration***. In her February 15, 2011 letter to Arizona, Secretary Sebelius identified care integration as a means of improving quality and achieving cost efficiencies in the Medicaid program. Specifically, the Secretary highlighted the need for Arizona to consider revising its current policy of maintaining a carved out behavioral health benefit. Accordingly, the State is considering ways to integrate care in the following areas:

- Integrating care for Children's Rehabilitative Services. AHCCCS is working with various stakeholders, including families who receive services from the Children's Rehabilitative Services (CRS) program, to create a specialty health plan that would manage care for medical and CRS conditions. See the link for more information.
- Integrating care for individuals who are Seriously Mentally Ill (SMI). AHCCCS is working with the Arizona Department of Health Services to explore the development of health homes for SMIs and the creation of a Specialty Health Plan/RBHA for SMIs in Maricopa County. This process will also include an extensive consumer engagement strategy. AHCCCS is partnering with St. Luke's Health Initiatives to assist in this effort. There will also be opportunities for input and collaboration with the provider community and other stakeholders. See the link for more information.
- Integrating care for Dual Eligibles. AHCCCS is working to increase alignment and improve service delivery for people covered by both Medicare and Medicaid. These individuals, commonly referred to as "duals," are currently navigating multiple systems to receive care. See the link for more information.