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Our first care is your health care
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

DATE: June 7, 2011
TO: File
FROM: AHCCCS Staff
SUBJECT: Access to Care – 2011 Update

This is a follow-up to the two previous memos regarding access to care for our members. This memo will not repeat what has been said in those prior memos but is intended as an update to that information. As Milliman has been contracted to review hospital impacts of AHCCCS' upcoming 5% rate decrease, this memo focuses on updating the following topics:

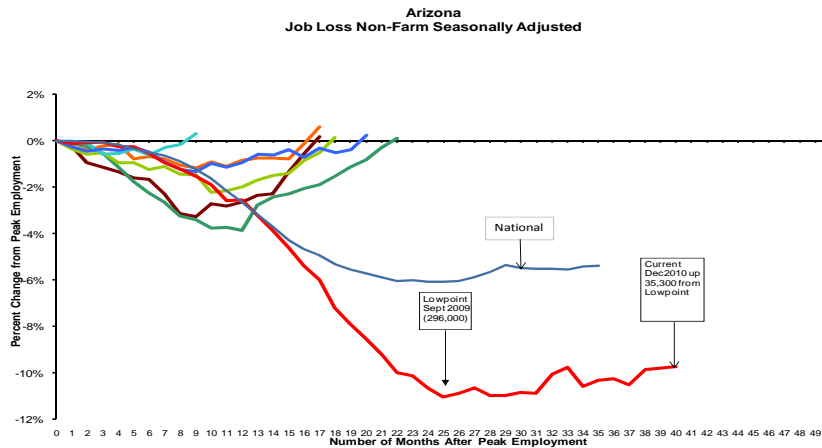
1. Arizona's Economy
2. FQHC Growth in Arizona
3. Non-Hospital Rate Impacts
4. Managed Care Oversight
 - Provider Network Requirements
 - Quality Management

Arizona Economic Update

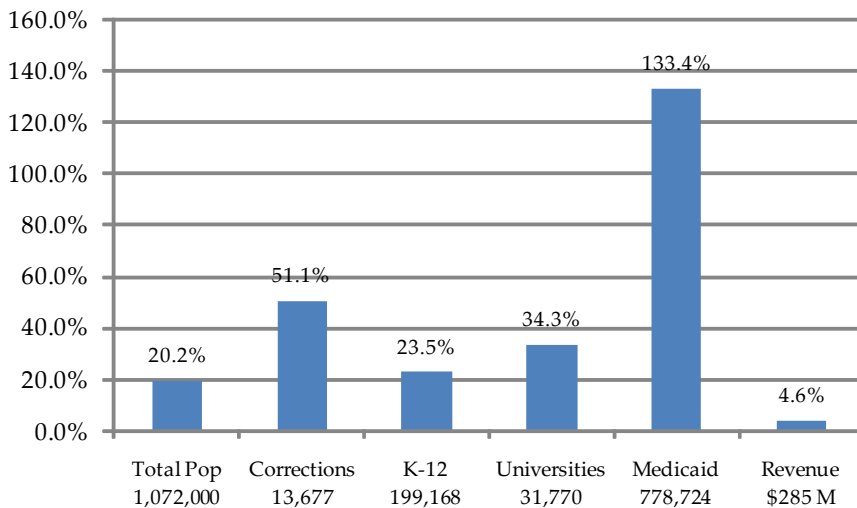
Arizona's budget woes began in the real estate crisis. Arizona continues to have an enormous inventory of vacant housing; foreclosures are expected to wear on throughout 2011. The number of vacant addresses in Arizona is 4.9 percent of all houses, normal for AZ is 1.9 percent. Arizona ranked 3rd worst in nation (behind Nevada and Florida) in home mortgage foreclosure rates. Expectations related to office, industrial and retail real estate have not changed much at all since the prior analysis. According to the Greater Phoenix Blue Chip panel, there will be virtually no construction of office space in 2011 or 2012 and absorption will be relatively modest. Thus, vacancy rates above 26 percent at the end of 2010 are expected to come down below 25 percent by the fourth quarter of 2011 and slightly below 23 percent by the fourth quarter of 2012.

The crisis in the housing market continues to affect unemployment rates. Much unemployment comes directly from the housing industry [by industry, Arizona has considerably larger-than-average shares of its workforce employed in real estate and construction] and other unemployment is due to the widespread effects of the housing crisis. For example, mobility for Arizona residents remains at the lowest level in 60 years. Due to the inability to sell one's house, many people are not able to move where the jobs are. Arizona's average unemployment is 9.5 percent. The rural areas of the state have taken the biggest hit: Kingman has an unemployment rate of 10.9 percent and Yuma tops Arizona's city statistics at 25.8 percent.

Last year's chart on job losses has been updated and shows a very slow recovery. Eller College of Management predicts the economy to create fewer than 20,000 jobs this year and roughly 30,000 in 2012. Government and construction payrolls will decline in both years. Improvement in Arizona's economy will be SLOW -- too slow to significantly change the unemployment rate in the coming year.



As a backdrop to the slowing of the economy, there has been a tremendous growth in Arizona infrastructure expenses over the past ten years. The services below comprise 85 percent of the State's ongoing expenditures. The chart shows that these expenses have risen drastically from 2001 to 2010 and yet State revenues for that same time period rose just 4.6 percent.



Evidence of this structural deficit became quite evident in the midst of the recent housing crash and economic downturn.

Arizona has one of the most cyclical economies in the nation. Not only does growth in Arizona slow with the rest of the nation when the economy slumps, but Arizona's aggregate growth rank falls. In 2006, Arizona's personal income growth ranked third fastest in the nation, in 2008 it ranked 46th. The volatile cyclicity of the Arizona economy causes problems for the public sector; taxes and other revenues that are adequate to fund government operations during periods of fast growth fall dramatically during periods of economic recession.

Additionally, Arizona also has a larger-than average portion of the population living in near-poverty or poverty. Residents with limited incomes contribute little to the public sector in the way of taxes and disproportionately use public services, such as AHCCCS.

This year’s assessment of the State economic outlook is a repeat of last year’s: In summary, the national recession may be over, but Arizonans should expect to wait several more years before the Arizona economy heads back to “normal.”

FQHC Growth

Staffing for FQHC physicians and dental providers continue to increase. Four additional FQHCs were added in 2010 (staffing counts not available at this time). FQHC and RHC clinics have capacity for more patients.

Because Federal law requires reconciliation to costs, these safety-net providers are protected from AHCCCS fee schedule reductions. Especially with the planned decrease in AHCCCS enrollment and subsequent increase in uninsured population, these organizations will be eager to have AHCCCS clients. Additionally, the decrease in AHCCCS membership and the resulting increase in uninsured clients will make our population attractive to these clinics.

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Number of Users	342,794	356,094	376,081
Number of Encounters	1,277,218	1,279,305	1,353,640
FTE Staffing	2328	2,506	2,705
Physician FTEs	182	200	207.7
Dentist FTEs	42	37	40.9
Dental Service Staff	N/A	14.5	15.6

Source: Arizona Association of Community Health Centers

The Arizona Association of Community Health Centers reports plans for continued expansion through 2011. It is expected that the existing and proposed centers will be able to serve a large portion of AHCCCS membership and actually increase access to care for Medicaid clients.

Non-Hospital Rate Impacts

Physician Fee Schedule

An April 2009 issue of Health Care Insights compared state Medicaid rates for physicians, showing Arizona as the fourth highest payor in the nation. The 5 percent rate cut in 2009 was expected to leave Arizona in the top ten payor states. Assuming all of the other states do not change their physician fee schedules from that April 2009 report, the result of the 2011 rate reductions would have Arizona as the fourteenth highest payor in the nation.

Dental Fee Schedule

AHCCCS dental rates compared to Medicaid rates of the southern Rocky Mountain Region are higher for the most utilized codes. AHCCCS’ October rates compared to the ADA surveyed rates for the Rocky Mountain region will be approximately 130% of the average Medicaid rates for Colorado, Nevada, New Mexico and Colorado.

Transportation Fee Schedule

AHCCCS rates for ambulance services are higher than other states in the Rocky Mountain region. The rates are set by a separate state agency on a cost-plus basis. A 5% reduction will still result in Arizona paying most providers more than other states and at or near the rates paid by commercial insurers. A 5% reduction in air ambulance rates will still leave Arizona paying slightly more than other states although less than Medicare for many transports. Arizona has a very high number of air ambulance providers considering population size, density, and distance to hospitals.

Nursing Facility Fee Schedule

AHCCCS rates for Nursing Facilities have been frozen for the past two years. Because Medicaid and Medicare patients utilize Nursing Facilities for different services and have much differing acuity, there is nothing to be gained in comparing these rates. Comparing Arizona's decreased Medicaid rates to other Medicaid programs finds that AHCCCS rates are 92% of Nevada's current payments and 101% of Utah's payments. Since nursing facility occupancy in Arizona had continued to stay between 75% and 80% for the past three years, a 5% reduction in reimbursement for these services is not expected to significantly contract the market.

HCBS Fee Schedule

Rates for HCBS services were reduced 2.5 percent effective October 2010 due to a rate rebase. In April of 2011, when most other services had a 5% reduction, HCBS rates were decreased only 2.5%. Unemployment in Arizona remains highest for those with less than a high school degree. Because HCBS providers tend to employ a high percentage of high school educated staff, it is expected that there will be no shortage in the pool of providers for this service.

Managed Care Oversight

The Division of Health Care Management (DHCM) continues to provide operational and financial oversight of the Managed Care Organizations (MCOs) that contract with the State of Arizona to provide services to Medicaid enrolled members.

The annual External Quality Review Organization reports required by the Medicaid Managed Care Regulations can be located on the AHCCCS website at:

<http://www.azahcccs.gov/reporting/reports/federal.aspx>

Contract requirements can be found on the AHCCCS website at:

<http://www.azahcccs.gov/commercial/Purchasing/contracts.aspx>

Reporting Guides for Plans

<http://www.azahcccs.gov/commercial/ContractorResources/manuals/manuals.aspx>

AHCCCS Contractor Operations Manual

<http://www.azahcccs.gov/commercial/ContractorResources/manuals/manuals.aspx>

Monitoring access to care falls in two main areas of DHCM: the Operations Unit reviews contractor performance in Network Development and Management, and the Quality Management area reviews the areas of clinical performance measures and quality of care concerns.

Provider Network Requirements

As mentioned last year, AHCCCS monitors each Contractor’s compliance with network standards through quarterly reports submitted by each Contractor as well as via annual operational and financial reviews. Contractors are required to monitor their networks to ensure provider appointment availability standards for primary care and dental, specialty, and maternity care services.

Contractors are contractually obligated to report to AHCCCS when they lose a particular provider that was providing services to a designated population and/or when they lose providers that had served 5% of their population. Included in this report is a notification of any short term gap that is caused by the change and the work-around that will be implemented by the Contractor to ensure that member’s medical needs are met.

AHCCCS has developed a tool to capture data on providers who leave our networks due to dissatisfaction with rates. This tool was added to the Network Development and Management Policy regarding Access to Care and is reported by all contractors. In 2010, three providers (one doc and two dentists) left the acute care plan, giving no reason. During that same year, one Nursing facility left the ALTCS plan citing rates as the reason for leaving. This facility had fewer than 50 beddays in 2010 and is not considered to be vital to the functioning of the health plans in that service area.

Quality Management

AHCCCS has implemented a significant sentinel event monitoring system known as the Quality of Care (QOC) process. AHCCCS and all Contractors are required to track and trend all member complaints, and identify those complaints that rise to the level of a quality of care concern. When a QOC is identified, a Contractor must immediately remediate the specific member issue and resolve any care-needed-today issues. Further, the Contractor must trend complaints and QOCs to determine if systemic issues exist, and if so, take action to remediate the systemic issue. See Chapter 900 of the AHCCCS Medical Policy Manual (AMPM) on line at

<http://www.azahcccs.gov/shared/MedicalPolicyManual/MedicalPolicyManual.aspx?ID=contractormanuals>

The first three tables that follow report complaints that were determined to meet the definition of a QOC, specific to access to care **received by AHCCCS Contractors**. The results indicate a four year downward trend across both Acute and the Arizona Long Term Care System (ALTCS) Elderly and Physically Disabled program and the Division of Developmental Disabilities (DDD, an ALTCS Contractor).

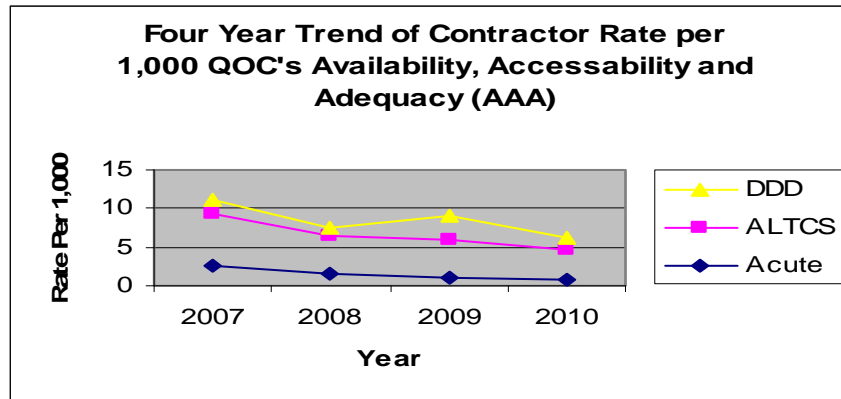
The tables following the first three tables document QOCs specific to access to care received by **AHCCCS**. These tables show a similar downward trend as reflected in the QOC data collected by AHCCCS. The DDD program indicates an increase in complaints received in the category of Availability, Accessibility and Adequacy. The trend has increased, at least partially, due to DDD’s improvement in identifying, tracking and trending QOCs and a comprehensive reporting system.

AHCCCS Member Complaints Regarding Contractors

Year	Acute Complaints	Acute Population	Rates per 1,000	ALTCS Complaints	ALTCS Population	Rates per 1,000	DDD Complaints	DDD Population	Rates per 1,000
2007	2,503	973,191	2.57	152	22,802	6.66	35	19,360	1.8
2008	1,534	1,018,367	1.5	121	23,853	5.07	20	20,605	0.97
2009	1,054	1,100,967	0.96	123	24,916	4.9	73	22,002	3.31
2010	944	1,273,326	0.74	110	27,547	4.0	34	22,854	1.48

Availability, Accessibility and Adequacy

Year	Acute Rates Per 1,000	ALTCS Rates Per 1,000	DDD Rates Per 1,000
2007	2.57	6.66	1.8
2008	1.5	5.07	0.97
2009	0.96	4.9	3.31
2010	0.74	4.0	1.48

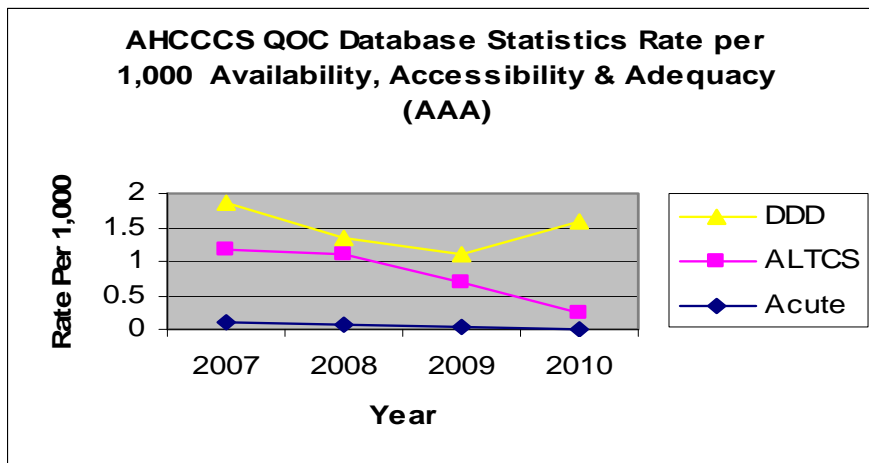


AHCCCS QOC Database Statistics – Availability, Accessibility & Adequacy

Year	Acute Complaints	Population	Rates per 1,000	ALTCS Complaints	Population	Rates per 1,000	DDD Complaints	Population	Rates per 1,000
2007	93	973,191	0.09	25	22,802	1.09	13	19,360	0.68
2008	66	1,018,367	0.06	25	23,853	1.04	5	20,605	0.24
2009	49	1,100,967	0.04	16	24,916	0.64	9	22,002	0.41
2010	14	1,273,326	0.01	6	27,547	0.22	31	22,854	1.36

Availability, Accessibility and Adequacy

Year	Acute Rates Per 1,000	ALTCS Rates Per 1,000	DDD Rates Per 1,000
2007	0.09	1.09	0.68
2008	0.06	1.04	0.24
2009	0.04	0.64	0.41
2010	0.01	0.22	1.36



AHCCCS utilizes Clinical Performance Measures regarding access to care as another method to monitor members' access to care. In the most recent measurement period, the following rates were reported:

Performance Measure	AHCCCS CYE 08 Rates	AHCCCS CYE 09 Rates	NCQA Medicaid Mean	NCQA Commercial Mean
Acute-care Population				
Medicaid Children's Access to PCPs – 12-24 Months	85.0%	87.5%	93.4%	96.9%
KidsCare Children's Access to PCPs – 12-24 Months	93.7%	93.0%	93.4%	96.9%
Medicaid Children's Access to PCPs – 25 Months-6 Years	81.6%	84.0%	84.3%	89.4%
KidsCare Children's Access to PCPs – 25 Months-6 Years	87.5%	89.0%	84.3%	89.4%
Medicaid Children's Access to PCPs – 7-11 Years	78.4%	82.8%	85.8%	89.5%
KidsCare Children's Access to PCPs – 7-11 Years	86.2%	89.8%	85.8%	89.5%
Medicaid Children's Access to PCPs – 12-19 Years	80.0%	83.5%	82.6%	86.9%
Medicaid Children's Access to PCPs – 12-19 Years	86.4%	88.8%	82.6%	86.9%
Medicaid Well Child Visits in the First 15 Months of Life	59.5%	64.2%	53.0%	72.8%
KidsCare Well Child Visits in the First 15 Months of Life	71.3%	71.0%	53.0%	72.8%
Medicaid Well Child Visits, 3, 4, 5, 6 Years of Life	66.2%	69.4%	65.3%	67.8%
KidsCare Well Child Visits 3, 4, 5, 6 Years of Life	73.4%	73.7%	65.3%	67.8%
Medicaid Adolescent Well-Care Visits	41.6%	43.0%	42.0%	41.8%
KidsCare Adolescent Well-Care Visits	51.6%	51.7%	42.0%	41.8%
Medicaid Annual Dental Visits ages 2-21	60.9%	64.0%	43.5%	(1)
KidsCare Annual Dental Visits ages 2-19	71.8%	74.3%	43.5%	(1)
Adults' Access to Ambulatory Services – 20-44 Years	81.0%	82.9%	76.8%	93.0%
Adults' Access to Ambulatory Services – 45-64 Years	86.7%	87.7%	82.4%	95.1%
Breast Cancer Screening, ages 50-64	62.3%	65.7%	54.8%	71.6%
Cervical Cancer Screening	63.2%	62.6%	64.8%	81.7%
Chlamydia Screening, ages 16-24	39.9%	45.4%	50.8%	38.1%
Timeliness of Prenatal Care	67.1%	71.0%	81.4%	91.9%
ALTCS EPD Population				
Initiation of Home and Community Based Services	94.4%	96.0%	(2)	(2)
Diabetes Care – HbA1c Testing	78.9%	86.5%	80.6%	89.2%
Diabetes Care – Lipid Screening	70.9%	77.9%	74.2%	85.0%
Diabetes Care – Retinal Exams	59.8%	63.9%	52.7%	56.5%

(1) NQCA does not report a commercial rate for dental visits, since these services are typically provided under a separate plan from the medical plan.

(2) Not a HEDIS or other comparable measure, so no national comparison is available.

Similar improvements are reported for members served through the Division of Developmental Disabilities. Please note that approximately 36% of DDD members, particularly children, have other primary insurance, and as such a lower number of claims are submitted to DDD for payment and therefore are not reflected in AHCCCS data:

Performance Measure	CYE 08 Rates	CYE 09 Rates
Children's Access to Primary Care Practitioners	73.5%	81.7%
Well Child Visits 3, 4, 5, 6 Years of Life	46.9%	51.8%
Adolescent Well-Care Visits	35.3%	39.3%
Annual Dental Visits	46.9%	48.7%

While not all of these measures directly measure access to care, they serve as a broader view of members' ability to obtain basic health care services.

Summary

As the Arizona economy continues to recover, and the State General Fund remains low, the Arizona Legislature and AHCCCS Administration have taken steps to decrease AHCCCS enrollment and benefits. Additionally, AHCCCS will need to further lower provider reimbursement as part of its overall strategy. It is expected that AHCCCS members will continue to maintain access to care with no identified issues:

- Continued high unemployment levels have kept salaries and wages low so providers will not have rising personnel costs. The proposed decrease in AHCCCS enrollment will take approximately \$898 million out of the Arizona healthcare market. With the increase in uninsured patients, providers will likely be receptive to receiving patients with a guaranteed payor source, such as AHCCCS, even with a lower reimbursement rate.
- As states across the United States cut their rates, AHCCCS remains one of the top Medicaid payors in the nation.
- Existing FQHC capacity and plans for further expansion of these clinics will increase AHCCCS members' ability to access care.
- Contractual requirements for managed care providers are carefully monitored by AHCCCS. To date, decreases in provider rates have not affected access to care in our networks.
- Managed Care Contractors have the authority, pursuant to their risk contracts, to contract with providers at payment rates they deem appropriate to market forces.

Although we expect that there will be a tipping point where substantially reduced rates will affect provider networks, the proposed 5% rate reductions are not expected to impact access to care. AHCCCS continues to monitor access to care to comply with Section 1902(a)(30)(A) of the Act and regulations at 42 CFR 447.204.

Resources

Brookings Mountain West

“Mountain Monitor” Tracking Economic Recession and Recovery in the Intermountain West’s Metropolitan Areas by Kenan Fikri and Jonathan Rothwell

<http://www.arizonafuture.org/>

Center on Budget and Policy Priorities

“States Continue to Feel Recession’s Impact” by Elizabeth McNichol, Phil Oliff and Nicholas Johnson
March 9, 2011

<Http://www.cbpp.org>

The Center for the Future of Arizona

<http://www.arizonafuture.org/>

Eller College of Management

Economic and Business Research Center

“Census Count Changes Things,” Arizona’s Economy

http://azeconomy.eller.arizona.edu/AZE11q1/Census_Count_Changes_Things.asp

Kaiser Health Facts

<http://statehealthfacts.org>

Morrison Institute for Public Policy

“Arizona Indicators”

<http://arizonaindicators.org/economy>

“Among the options for FY 2013 budget: A return to balance” by Joseph Garcia

<http://morrisoninstitute.asu.edu/media/news-events/among-the-options-for-fy-2013-budget-a-return-to-balance/?searchterm=a%20return%20to%20balance>