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

January 10, 2011

The Honorable Jan Brewer
Office of the Governor
1700 West Washington
Phoenix, Arizona 85007

Dear Governor Brewer:

In accordance with the requirements of A.R.S. 36-2923, please find the enclosed report on insurance carrier compliance with data-matching and claims payment requirements. I would be happy to answer any questions or provide additional information on this topic. Please feel free to contact me at (602) 417-4711.

Respectfully,

A handwritten signature in black ink, appearing to read 'T. Betlach', is written over a horizontal line.

Thomas Betlach
Director

Enclosure

cc: The Honorable Russell Pearce, Arizona State Senate
The Honorable Kirk Adams, Arizona House of Representatives
The Honorable Ken Bennett, Arizona Secretary of State

Arizona Health Care Cost Containment System

Report to the Arizona Legislature

Regarding Insurance Carrier Compliance with A.R.S. § 36-2923:

Data Matching and Claims Payment for Third Party Liability

January 2011

Director, Tom Betlach

INTRODUCTION

The Arizona Health Care Cost Containment System (AHCCCS) is pleased to submit the following report pursuant to A.R.S. § 36-2923.B. A.R.S. § 36-2923 requires any party that by statute, contract or agreement is responsible for paying for items or services provided to an Arizona Medicaid-eligible person to comply with the claims data match and billing requirements outlined therein. This report provides: 1) a summary of SFY 2010 Total AHCCCS Claims Cost Avoided; 2) a review of carrier compliance in terms of Data Matching; and 3) a review of carrier compliance in terms of Claims Processing.

I. SFY 2010 AHCCCS CLAIMS PRE-PAYMENT COST AVOIDED

During SFY 2010, AHCCCS and its health care contractors cost avoided with other commercial insurance carriers and/or with Medicare provider medical claims for members of over \$1.37 billion. This amount is comprised of:

- \$94.7 million of provider claims that were partially the responsibility of a commercial carrier and Medicaid;
- \$781.2 million of provider claims that were partially the responsibility of the Medicare Program; and,
- \$500.5¹ million of provider claims with no financial obligation to the health care contractors as the entire claim was the responsibility of Medicare or a commercial carrier.

¹ The \$500.5 million of provider claims for SFY 2010 represents annualized, unaudited data reported by the Health Plans for the first six months of Calendar Year 2010.

II. DATA MATCHING

A.R.S. § 36-2923 Requirement

A. A health care insurer shall:

1. Provide all enrollment information necessary to determine the time period in which a person who is defined as an eligible person pursuant to A.R.S. § 36-2901, paragraph 6, subdivision (a) or that person's spouse or dependents may be or may have been covered by the health care insurer and the nature of that coverage...

Overview of the Data Matching Process

AHCCCS maintains a database of insurance coverage information with changes disseminated daily to its health care contractors. In 2008 AHCCCS awarded a competitively bid contract to Health Management Systems, Inc. (HMS) to verify and identify health insurers that may be

Insurance Carrier Compliance with A.R.S. § 36-2923

liable for paying all or part of the expenditures for medical assistance provided to AHCCCS eligible persons.

Daily HMS verifies new or updated health insurance information provided by AHCCCS, its health care contractors, and the member eligibility determination entities by matching demographic information against its national database of insurance information submitted by carriers who have entered into data sharing agreements with HMS. Additionally, HMS matches the entire AHCCCS population against the same database monthly to identify health insurance coverage that otherwise is unknown to AHCCCS. The HMS database is comprised of eligibility information from over 1,000 plans nationally and over 750 million unique insurance segments. HMS provides AHCCCS daily updates to the insurance coverage database. AHCCCS then provides this data on a daily bases to the health care contractors. The contractors use this data as part of the claims payment process. Before a provider is paid, the claims system will check against the coverage database. If a member has other commercial insurance or Medicare, the system will deny the claim unless an appropriate Explanation of Benefits (EOB) form is included. Since Medicaid is the payer of last resort that payment will reflect only those items not covered by the other policy. By identifying other responsible parties and cost avoiding those claims that are their responsibility, AHCCCS only pays claims, or portions of claims, where the state is truly the payer of last resort.

Health insurers meet the claims data match compliance requirement of A.R.S. § 36-2923 by entering into data matching agreements with HMS and either submitting eligibility data to HMS or executing the data match themselves. Health insurers who do not execute a data matching agreement with HMS are considered to be non-compliant with A.R.S. § 36-2923. When an eligibility source identifies a member with coverage through a carrier with which HMS does not have a Data Use/Data Sharing Agreement (DUA), HMS contacts the carrier to verify the coverage and then begins working with the carrier to enter into a DUA to share confidential and protected information.

Overview of the Arizona Health Insurer Identification Process

Working collaboratively with AHCCCS, HMS maintains a comprehensive list of carriers compiled from multiple sources:

- The AHCCCS Master Carrier List: health insurers who have been identified by AHCCCS as currently or previously carrying policies on AHCCCS members;
- Department of Insurance Licensed Carriers: A comprehensive list of licensed insurance carriers doing business in the State of Arizona and regulated by the Department of Insurance; and,
- Health insurers that are known to HMS to provide health insurance coverage.

HMS cross references identified carriers against those currently covered by an existing DUA. If the health insurer is covered by an existing DUA and is currently data matching with AHCCCS then the Carrier is deemed compliant. If the carrier does not have an active DUA

Insurance Carrier Compliance with A.R.S. § 36-2923

in place, HMS contacts the carrier via mail to the corporate address, notifying it of the statutory requirement to share eligibility data with the AHCCCS program. Carriers are given a reasonable amount of time to respond and either provide a reason why A.R.S. § 36-2923 is not applicable to them or to establish a DUA and begin data sharing. HMS assigns insurance carriers that are not covered by an existing DUA to one of two tiers:

- Tier I Carriers – insurance companies that have a verified insurance policy for one or more AHCCCS members within the past 36 months; and,
- Tier II Carriers – all other insurance carriers. These carriers may be registered with the Arizona Department of Insurance or identified from all other sources, but are not included in the Tier I list.

Health Insurer Compliance with the Data Sharing Requirement of A.R.S. § 36-2923

HMS has continued to focus its efforts on implementing A.R.S. § 36-2923 by identifying insurance carriers who should be sharing their membership information with AHCCCS, and sending letters and making telephone calls to the carriers that do not have an existing DUA to bring them into compliance with the claims data matching requirement.

As discussed later in this report, if for some reason AHCCCS and the health care contractors were not able to cost avoid with the commercial coverage pre-payment, health insurers are required to honor claims that are submitted by this state within a three-year period beginning on the date on which the item or service was furnished. The following table reflects verified insurance policies that were in effect on September 30, 2010, or were terminated within the past three years that can be utilized for cost avoidance or post payment recovery. This table demonstrates that 84.1% of Tier I Carriers, whose policies cover 99.4% of Tier I policies that were active within the last 3 years have entered into a DUA or are in the process of executing one (see Appendix A). HMS continues to follow-up with non-compliant Tier I Carriers, who represent 15.9% of Tier I Carriers, and whose policies cover 0.6% of the policies that were active within the last 3 years (see Appendix B).

	Carriers		Active Policies Within 3 Years	
	Number	%	Number	%
Compliant:				
DUA in Place	242	78.6%	182,075	98.4%
Cooperating with DUA	17	5.5%	1,886	1.0%
Total Compliant	259	84.1%	183,961	99.4%
Noncompliant:				
Declined a DUA	29	9.4%	558	0.3%
Unresponsive	20	6.5%	581	0.3%
Total Noncompliant	49	15.9%	1,139	0.6%
Totals	308	100.0%	185,100	100.0%

AHCCCS has no authority to enforce compliance with this statute; however, during SFY 2011, HMS will continue to follow up with the noncompliant carriers in an effort to bring them in line with the data sharing requirements of A.R.S. § 36-2923.

III. CLAIMS PROCESSING

A.R.S. § 36-2923 Requirement

A. A health care insurer shall: (continued)

2. Accept the state's right of recovery from a third party payor pursuant to section 36-2903 and the assignment to this state of any right of an individual or other entity to payment from the third party payor for an item or service for which payment has been made pursuant to this chapter...

3. Respond to any inquiry made by the director regarding a claim for payment for any health care item or service that is submitted not later than three years after the date of the provision of the health care item or service. This paragraph applies to a claim in which the administration determines there is a reasonable belief that the individual was insured by the health care insurer on the date of service referenced by the claim.

4. Not deny a claim submitted by this state solely on the basis of the date of the submission of the claim, the type or format of the claim form or the failure to present proper documentation at the point of sale that is the basis of the claim if the following conditions have been met:

(a) The claim is submitted by this state in the three-year period beginning on the date on which the item or service was furnished.

(b) An action by this state to enforce its rights with respect to the claim is commenced within six years after the state submitted the claim. The health care insurer may deny the claim submitted by the state if the health care insurer has already paid the claim in accordance with the benefit plan under which the member was covered by the health care insurer on the date of service.

Overview of Post Payment Claims Processing

While the main focus is to ensure the data is available to coordinate the benefit at the front end pre-payment, there are limited exceptions where the program pursues post payment recoveries. The post payment recovery process matches paid fee-for-service claims against the verified insurance policies with termination dates within the past 3 years. When insurance coverage is identified for a member that spans the time period the item or medical service was provided, HMS generates a bill for those items or services to the commercial

Insurance Carrier Compliance with A.R.S. § 36-2923

carrier. The post payment recovery process insures that AHCCCS recovers its payments from a responsible party that was unknown at the time the claim was adjudicated. The post payment process is conducted monthly and resulted in over \$800,000 in recoveries during SFY 2010.

Methodology Utilized to Determine if the Health Insurer is Compliant

A carrier is considered to be compliant with A.R.S. § 36-2923 when the carrier adequately responds to a claim for payment as outlined by the statute. Any carrier not responding to a claim for payment or not adhering to the time periods allowed, from date of service, are considered non-compliant.

Based on retroactive billing efforts conducted by HMS during SFY 2010, TRICARE is the only insurance company identified as non-compliant with the claims payment requirements. TRICARE is the health care program serving active duty service members, National Guard and Reserve members, retirees, their families, survivors and certain former spouses worldwide.

TRICARE data matches with HMS on an annual basis, but steadfastly refuses to honor claims that are filed after one year from the date of service. During SFY 2010, the Centers for Medicare & Medicaid Services concluded that the Federal TRICARE statutes have primacy over A.R.S. § 36-2923 and TRICARE is not required to comply with the three year look back period.

APPENDIX A
Tier I Compliant Carriers

Carrier	Policies
Carriers With Data Use Agreements in Place:	
AARP	113
ABRAZO ADVANT HEALTH PLAN	2
ACCORDIA BENEFIT SVCS	3
ACCOUNTABLE HEALTH PLANS	5
ACORDIA NATIONAL	196
ACS/HN	2,095
ADMAR MED NETWORK	1
ADMIN ENTERPRISES, INC	758
AETNA HEALTHCARE	26,402
ALLIANCE BC/BS	16
ALTIUS HEALTH PLANS	2
AM POST WKRS HEALTH PLAN	11
AMERI HEALTH	4
AMERIBEN SOLUTIONS	273
AMERICAN COMMUNITY MUTUAL	526
AMERICAN HERITAGE LIFE	28
AMERICAN MEDICAL SECURITY	91
AMERICAN NATIONAL LIFE	2
AMERICAN PIONEER LIFE	2
AMERICAN POSTAL WORKERS	1
AMERICAN REPUBLIC INS	137
AMERITAS	12
ANTHEM BC/BS	330
ANTHEM PRESCRIPTION	407
ARGUS HEALTH SYSTEMS	585
ARIZONA FOUNDATION	85
ARIZONA PHYSICIANS HEALTH	17
ARIZONA PIPE TRADES	30
ASBAIT	133
ASSURANT HEALTH	286
ATLAS ADMINISTRATORS INC	2
AV MED	1
AZ BEN OPT-HARRINGTON	215
AZ DEPT OF ADMIN	1
BANKERS LIFE & CAS	29
BANNER HEALTH	260
BASHAS BENEFIT TRUST	353
BC OF CALIFORNIA	3,719
BC/BS MISSISSIPPI	1
BC/BS NJ	188

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<u>Carrier</u>	<u>Policies</u>
BC/BS OF ALASKA	18
BC/BS OF ANTHEM	9
BC/BS OF ARIZONA	18,083
BC/BS OF ARKANSAS	1,544
BC/BS OF COLORADO	282
BC/BS OF CONNECTICUT	5
BC/BS OF EMPIRE	187
BC/BS OF FLORIDA	109
BC/BS OF GEORGIA	1,209
BC/BS OF HAWAII	1
BC/BS OF INDIANA	39
BC/BS OF IOWA	96
BC/BS OF KANSAS	252
BC/BS OF KENTUCKY	20
BC/BS OF MAINE	4
BC/BS OF MARYLAND	13
BC/BS OF MASSACHUSETTS	392
BC/BS OF MISSOURI	51
BC/BS OF NEW MEXICO	79
BC/BS OF NEW YORK	5
BC/BS OF OHIO	52
BC/BS OF OKLAHOMA	26
BC/BS OF OREGON	17
BC/BS OF RHODE ISLAND	13
BC/BS OF ROCHESTER NY	5
BC/BS OF SOUTH DAKOTA	18
BC/BS OF TENNESSEE	175
BC/BS OF TEXAS	1,222
BC/BS OF VIRGINIA	98
BC/BS OF WESTERN NY	34
BC/BS OF WISCONSIN	18
BC/BS OF WYOMING	1
BCBS EXCELLUS CO	39
BCBS ILLINOIS	901
BENESIGHT	31
BOILERMAKERS NAT'L H&W	136
BOON CHAPMAN/DKG	1
CA IRONWORKERS INS	10
CAPITOL ADMINSTRATORS	38
CAREMARK	82
CARPENTERS HLTH & WLF	28
CATHOLIC HEALTHCARE WEST	4
BCA	21
CCMSI	1
CENTRA BENEFIT SERVICES	12
CHICKERING CLAIMS GROUP	2
CIGNA FOR SENIORS	24,421

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<u>Carrier</u>	<u>Policies</u>
CITY OF MESA EMPLOYEE BN	28
COMBINED INS. OF AMERICA	2
COMPREHENSIVE CARE SVCS	18
CONSECO HEALTH INS CO	7
COOP BENEFIT ADMIN	23
CORESOURCE	8
COVENTRY	39
COX HEALTH PLAN	4
DAKOTA CARE	4
DARDEN RESTAURANT	1
DEFINITY HEALTH	33
DELTA DENTAL	38
DESERET MUTUAL	15
DESERT CANYON COMM CARE	4
DIVERSIFIED INS	5
ECKERD HEALTH SERVICES	1
EMPIRE BC/BS	54
EMPLOYEE BENEFITS CORP	153
EMS-SMITH ADMN	4
EQUITABLE INSURANCE	14
EVERCARE	1
EXPRESS SCRIPTS	6,477
FIRST ADMINISTRATORS	9
FIRST HEALTH	94
FISERV. HEALTH	6
FORTIS BENEFITS	519
GEHA	306
GILSBAR INS	398
GMS	7
GOLDEN RULE INS CO	983
GREAT-WEST HEALTHCARE	692
GROUP HEALTH INC.	47
GROUP PENSION ADMIN.	4
GUARANTEE NATIONAL INS	1
GUARDIAN	33
HARRINGTON BENEFITS	167
HARVARD PILGRIM	1
HEALTH ASSURANCE	64
HEALTH NET OF CALIFORNIA	11
HEALTH NET OPTIONS	8
HEALTH PARTNERS	11
HEALTH PLAN OF NEVADA	78
HEALTHCARE GROUP OF AZ	28
HEALTHNET	2,439
HEALTHNET SENIOR	1
HIP OF NEW YORK	1
HMA INC	25

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<u>Carrier</u>	<u>Policies</u>
HORIZON BC/BS OF NJ	70
HUMANA HEALTH INS	6,574
IAC/ARIZONA FOUNDATION	2
IBEW	9
INSURERS ADMINISTRATION	166
IRON WORKERS	1
ITPE-MEBA/NMU	1
J F MOLLOY & ASSOCIATES	1
JC LINCOLN EMPLOYEE HP	2
JOHN DEERE HEALTH CARE	1
LIFEWISE	196
LINCOLN HERITAGE	6
LINECO	4
LOOMIS COMPANY	17
MAIL HANDLERS BENE PLAN	72
MANDALAY RESORT GROUP	3
MASS MUTUAL LIFE INS	169
MEDICAL MUTUAL OF OHIO	20
MEGA LIFE AND HEALTH	26
MERITAIN HEALTH	27
MET LIFE DENTAL	23
MIDWEST NTL LIFE INS TEN	3
MMA INSURANCE CO	1
MOTION PICTURE INS HLTH	7
MUTUAL ASSURANCE ADMIN	3
MUTUAL OF OMAHA	124
MVP HEALTH CARE	2
NATIONAL ASBESTOS WORK	11
NATIONAL AUTO SPRINKLER	9
NATIONWIDE INSURANCE COMP	1
NATL ASSOC LETTER CARRIER	55
NGS AMERICAN INC	14
NMHC	20
NPS	2
ONE HEALTH PLAN	873
OXFORD HEALTH PLANS INC	58
P5 HEALTH SERVICES	59
PACIFIC SOURCE	1
PACIFICARE HEALTH SYSTEMS	2,456
PCS LIFE INS CO.	64
PEKIN LIFE INS CO	1
PHARMA CARE INS	42
PHYSICIANS MUTUAL INS CO	48
PIPE FITTERS WELFARE FUND	8
PREFERRED ONE	6
PREMERA BLUE CROSS	26
PRESBYTERIAN HEALTH PLAN	11

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<u>Carrier</u>	<u>Policies</u>
PRESCRIPTION SOLUTIONS	218
PRIME THERAPEUTICS	1,065
PRINCIPAL FINANCIAL GROUP	29
PRINCIPAL MUTUAL LIFE	145
PROVIDENT AMERICAN INS	1
PSERS HEALTH ADMIN UNIT	1
RAN+AMN EPO PLAN	103
RESERVE NATIONAL	4
RMSCO INC	2
ROYAL NEIGHBORS OF AMERIC	10
RX SOLUTIONS	89
SCHALLER ANDERSON	47
SCOTTSDALE HEALTHCARE	4
SECURE HORIZONS	129
SECURECARE DENTAL	2
SHALLER ANDERSON NETWORK	7
SHASTA	3
SHEET METAL WORKERS	1
SIERRA HEALTH SERVICE	353
SISCO	3
SOUTHWIRE & AFFILIATES	2
SRT	175
ST. MARYS HEALTH PLAN	2
STARBRIDGE	35
STARMARK	121
STATE FARM INS CO	12
STERLING LIFE INS CO.	8
STRATEGIC RESOURCE CORP	6
SUMMACARE	187
TALL TREE TPA	2
THE MAIL HANDLER BEN PLAN	1
THRIVENT FIN FOR LUTHE	6
TPA OF ARIZONA	1
TRANSCHOICE	1
TRANSWESTERN INS ADMIN	65
TRICARE	9,842
TRIDENT	49
TRIGON BC/BS	2
TRUSTED PLANS SERVICE COR	1
TRUSTMARK	123
TUFTS HEALTH PLAN	13
UNICARE LIFE & HEALTH	153
UNITED AGRICULTURAL EMP	20
UNITED AMERICAN INS CO	116
UNITED BENEFITS	1
UNITED COM TRVL OF AMER	13
UNITED CONCORDIA	31

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<u>Carrier</u>	<u>Policies</u>
UNITED HEALTHCARE	41,324
UNITED HEALTHCARE/ MEDCO	9,503
UNITED MEDICAL RESOURCES	360
UNITED TEACHER ASSOC	9
VA HEALTH ADMIN CENTER	10
WALGREENS HLTH INT/RX PGM	4,441
WALMART GROUP HEALTH	6
WAUSUA INS COMPANY	124
WELLMARK	8
WELLPOINT	1,641
WESTERN MUTUAL INS.	2
WYETH BC/BS NEW JERSEY	102
YUMA AREA BEN CONSORTIUM	4
ZENITH ADMINISTRATORS, IN	50
Number of Policies for Carriers With Data Use Agreements in Place	<u>182,075</u>
 Carriers Cooperating in Establishing a Data Use Agreement:	
BC OF IDAHO	30
BC/BS OF ALABAMA	101
BC/BS OF MICHIGAN	37
BC/BS OF UTAH	36
CHOICE PLUS	479
CITY HEALTH PLAN	1
HIGHMARK BC/BS	21
HEALTH ADMIN SVCS INC	2
HEALTHCARE MNGMT ADMIN	1
IEC BENEFIT ADMIN/CCN	68
INTERMOUNTAIN ADMIN	2
KITSAP PHYSICIANS SVC	1
MAYO HEALTH PLAN ARIZONA	40
REGENCE BLUE SHIELD	58
RX PRIME	5
SUMMIT	69
WESTERN GROWERS INS	935
Number of Policies for Carriers Cooperating in Establishing a Data Use Agreement	<u>1,886</u>
 Number of Policies for All Compliant Carriers	<u>183,961</u>

**APPENDIX B
Tier I Noncompliant Carriers**

<u>Carrier</u>	<u>Policies</u>
Carriers That Declined to Enter Into a Data Use Agreement:	
AMERICAN BENEFIT PLAN	7
BC & BS OF SOUTH CAROLINA	27
BC OF WESTERN PA	9
BC/BS INDEPENDENCE	6
BC/BS OF DC	1
BC/BS OF LOUISIANA	25
BC/BS OF MINNESOTA	77
BC/BS OF NEBRASKA	23
BC/BS OF NORTH CAROLINA	85
BC/BS OF PENNSYLVANIA	14
BC/BS OF VERMONT	5
BC/BS OF WEST VIRGINIA	1
BCBS OF CAPITAL PA	7
BLUE SHIELD/NORTH DAKOTA	18
CAPITAL BLUE CROSS	9
CAREFIRST BC/BS	41
CATALYST	26
FMH BENEFIT SERVICES	4
GENERAL HOSPITAL INS.	5
KAISER PERMANENTE	24
MMSI	10
MOUNTAIN STATES ADMIN	92
NATIONAL ELEVATOR INS	4
NAVAJO NATION EMPL BEN	5
PUBLIC EMPLOYEE HEALTH	3
SAN DIEGO COUNTY EMP	1
TOWER LIFE INSURANCE CO	8
VALUE CARE	2
WEBTPA PROVIDER SERVICES	19
Number of Policies for Carriers That Declined to Enter Into a Data Use Agreement	558

Unresponsive Carriers:

ABS	21
ALLIED BENEFIT SYSTEMS	16
BC/BS OF DELEWARE	11
BC/BS OF MONTANA	8
BENEFIT ADMINISTRATORS	3
COMPU SYS ERISA	2

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<u>Carrier</u>	<u>Policies</u>
HEALTH COMP	18
MERIT INS CO	83
NCAS	3
NORTHWEST ADMIN INC	11
OPERATING ENGINEERS	20
PENSION OPER ENG HLTH	7
PHYSICIANS CARE OF CA	3
PRIME CARE PLUS	2
SOUTHWEST ADMINISTRATORS	68
SOUTHWEST SERVICE ADMN	192
UNITED ADMINISTRATIVE	100
UNITED SECURITY LIFE	7
WESTERN TEAMSTERS	2
WORLDWIDE INS GROUP	4
Number of Policies for Unresponsive Carriers	<u>581</u>
Number of Policies for All Noncompliant Carriers	<u>1,139</u>