

**Janice K. Brewer, Governor**  
**Thomas J. Betlach, Director**

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

March 11, 2011

Cindy Mann  
Department of Health and Human Services  
Centers for Medicare and Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, MD 21244-1850

Re: Health Homes for Enrollees with Chronic Conditions

Dear Ms. Mann:

The Arizona Health Care Cost Containment System (AHCCCS), Arizona's State Medicaid agency, in partnership with the Arizona Department of Health Services, Division of Behavioral Health Services (ADHS/DBHS) is pleased to submit this request for planning grant funding in accordance with section 1945(c) (3) of the Social Security Act (Act) (Section 2703 of the Affordable Care Act), regarding "Health Homes for Enrollees with Chronic Conditions."

AHCCCS and ADHS/DBHS will use the planning grant funds to assist AHCCCS in determining the feasibility of developing integrated health homes for persons with Serious Mental Illness (SMI) in accordance with the minimum criteria for participation in Section 1945(h) of the Act.

AHCCCS prioritizes this population since the life expectancy of individuals with SMI is 25 years shorter than the general population. In Arizona, the difference is closer to 30 years. This increased mortality is largely due to treatable medical conditions that are caused by modifiable risk factors such as smoking, obesity, substance abuse, and reluctance to access medical care. Per the February 15, 2011 letter from Kathleen Sebelius to the Honorable Janice Brewer, "The health care costs of people who have even common chronic conditions such as asthma and hypertension in addition to mental illness can be 50 to 75 percent higher than they are for comparable patients with the chronic physical condition alone." Improved access to effective primary care and care management through integrated healthcare homes will reduce these high costs and result in better health outcomes among persons with SMI.

Our attached Letter of Request outlines the planning activities for the development of health homes for future implementation of our State Plan Amendment. I respectfully request and appreciate your consideration of our request for Health Home SPA Planning funding.

If you have any questions please do not hesitate to contact our agency lead, Kristin Frounfelker, Behavioral Health Administrator, at 602-417-4037 or [Kristin.Frounfelker@azahcccs.gov](mailto:Kristin.Frounfelker@azahcccs.gov).

Respectfully,

Thomas J. Betlach  
Director

Enc: Letter of Request

## **Letter of Request**

### **Overview**

Arizona Medicaid operates under a capitated managed care structure; ADHS/DBHS contracts with Regional Behavioral Health Authorities (RBHAs) across six geographic service areas. The overarching goal of Arizona's planning will include contracting with an outside entity to assist both AHCCCS and ADHS/DBHS to determine the feasibility of establishing health homes for persons with Serious Mental Illness (SMI) and at the same time creating an efficient, financially sustainable, health care service delivery system.

The State is interested in pursuing the potential development of at-risk managed care organizations responsible for the complete physical and behavioral healthcare needs via health homes for persons with SMI, thus creating an integrated and transparent health care service delivery system. Once planning is concluded and feasibility for health homes has been determined, ADHS/DBHS will continue with statewide implementation. Development of Request for Proposals, upon the expiration of each RBHA contract cycle will establish and embed health homes in the system of care.

As the designated health home, the RBHAs would be responsible for integrating and coordinating physical and behavioral health care through a comprehensive network of health care providers. Because persons with SMI are often seen more frequently by their behavioral health providers than by primary care providers, an important strength of Arizona's proposal will be to take advantage of the existing clinical relationship with behavioral health providers to deliver a more comprehensive set of coordinated care management and primary care services.

AHCCCS has proposed to work with CMS and all stakeholders to implement a managed care program for dual eligible members that comports with the requirements of the current State Plan Amendment (SPA) and 1115 Waiver requirements. AHCCCS estimates approximately one third of the SMI population are dual eligible individuals. If CMS selects Arizona for one of the Dual Eligible Demonstration Contract Proposals, the health home planning activities will incorporate these efforts to ensure members are relieved of coordination of issues and benefits from integration of care.

By adding chronic disease self-management, whole health and peer support approaches to strongly coordinated behavioral health and primary care services, persons with SMI will experience improved overall health outcomes through better management of multiple chronic health conditions, reduction in inappropriate utilization of emergency rooms and hospitalization, and significant reduction in duplicative pharmacy and laboratory expenses.

### **Planning**

AHCCCS and ADHS/DBHS will seek feedback from RBHAs, physical health managed care plans, physical health providers, behavioral health providers and an external consultant with Medicaid and behavioral health policy experience regarding the following planning activities:

1. Review and analyze Medicaid claims for all enrolled SMI members, including emergency department admissions and other utilization data. This analysis will be the foundation for planning efforts. Arizona will seek to develop a complete picture of health needs and care management needs in the SMI Medicaid population. Claims and utilization analysis will also be used to stratify members by behavioral health needs and physical illness burden and to develop a financial and reimbursement model for the SMI health home provider network. As part of this effort the State will look to incorporate Medicare data in the analyses.

2. Conduct extensive statewide consultation with key stakeholders, including consumers and family members, dual eligible individuals, behavioral health and physical health providers. Including the active voice and participatory leadership of consumers and family members will be essential elements of this program and woven throughout its design. Stakeholder consultation will be an opportunity for stakeholders to provide input into structural design for health homes for persons with SMI, including the desired level of operational, financial, and administrative control and responsibility the RBHAs would assume. Stakeholder consultation would also assist in developing innovative strategies to implement the health homes statewide.
3. Conduct extensive planning and analysis regarding a) the capacity to use health information technology to link care and services and facilitate communication among health care providers to improve care coordination across the care continuum; b) developing additional quality management and information system functions to collect and report on data related to the health home services; c) the utility of HHS's proposed Initial Core Set of Health Quality Measures for Medicaid Eligible Adults; d) the sustainability of health home enhanced services post 90/10% FMAP quarters.
4. Conduct SPA planning, development, and implementation, which will include, but is not limited to:
  - a. Establishment of standardized physical and behavioral health screening protocols for providers;
  - b. Development of standardized health/wellness training modules for members;
  - c. Identification of encounter codes/modifiers applicable to health home services and training staff to use these codes appropriately;
  - d. Training for health providers in new clinical, financial and IT responsibilities; and
  - e. Development of infrastructure for tracking and monitoring financial and quality outcomes of home health members.
5. Consult with SAMHSA and CMS in development of SPA for submission.

Arizona's estimated budget is based on an anticipated grant award of \$500,000 plus the state match contribution of \$250,000 for a total of \$750,000.

<b>Personnel (new hires):</b>	\$0
<b>Consultants (for feasibility assessment &amp; health home program development<sup>1</sup>):</b>	\$250,000
<b>Outreach (for stakeholder input and health home enrollment):</b>	\$25,000
<b>Training and consultation (for designing components of provisions of the SPA):</b>	\$150,000
<b>IT Infrastructure analysis and development (for tracking, reporting and monitoring)</b>	\$315,000
<b>Travel<sup>2</sup>:</b>	<u>\$10,000</u>
<b>Total</b>	<b>\$750,000</b>

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<sup>1</sup> Travel costs for consultants included

<sup>2</sup> Travel for state employees