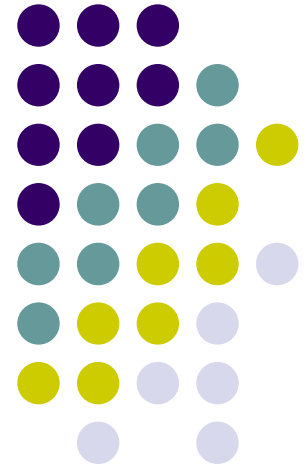




# AHCCCS Update

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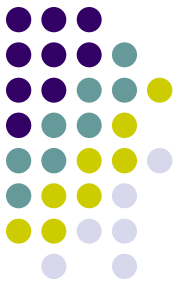
February 10, 2010



# Update Topics



- FY 2010 and FY 2011 Budget
- Health Care Reform
- Provider Tax
- Strategic Plan
- HIT Update

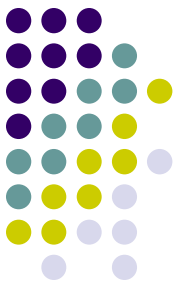


# Budget Limitations

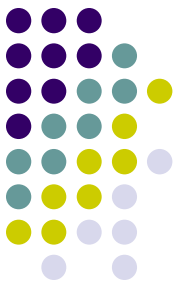
- Medicaid has 3 areas to cut:
  - Enrollment
  - Rates
  - Benefits
- Federal Stimulus legislation established a maintenance of effort requirement limiting ability to reduce eligibility
- Substantive provider rate reductions and freezes were already included in the budget
- Legislature did not make any substantive changes to benefits

# FY 2010 5<sup>th</sup> Special Session

## AHCCCS Reductions (in millions)



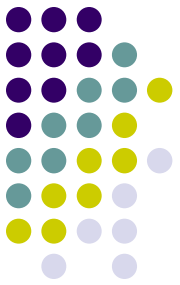
	GF – 15% Proposal	TF – 15% Proposal	GF – 5 <sup>th</sup> Spec. Session	TF – 5 <sup>th</sup> Spec. Session
KidsCare	9.25	43.6	3.2	13.2
Administration	2.25	4.5	2.25	4.5
Graduate Medical Education	4.3	12.7	1.3	5.4
Disproportionate Share Hosp Pmts.	3.1	9.1	.9	2.7
Total Changes	18.9	69.9	7.65	25.8



# Budget Changes to Date

- A number of funding changes have been made over the past 3 years – Program is \$743 million less today as a result of changes
  - Inpatient Outlier Changes (08-09-10)
  - Inpatient/Outpatient Rate Freezes (09-10)
  - Broad Provider Rate Reductions (10)
  - Health Plan Payment Reductions (10)
  - Eligibility Changes (09-10)
  - Member Payment Requirements (09-10)
  - Administrative Reductions (08-09-10)
  - Hospital GME and DSH reductions (10)

# What's the Problem?



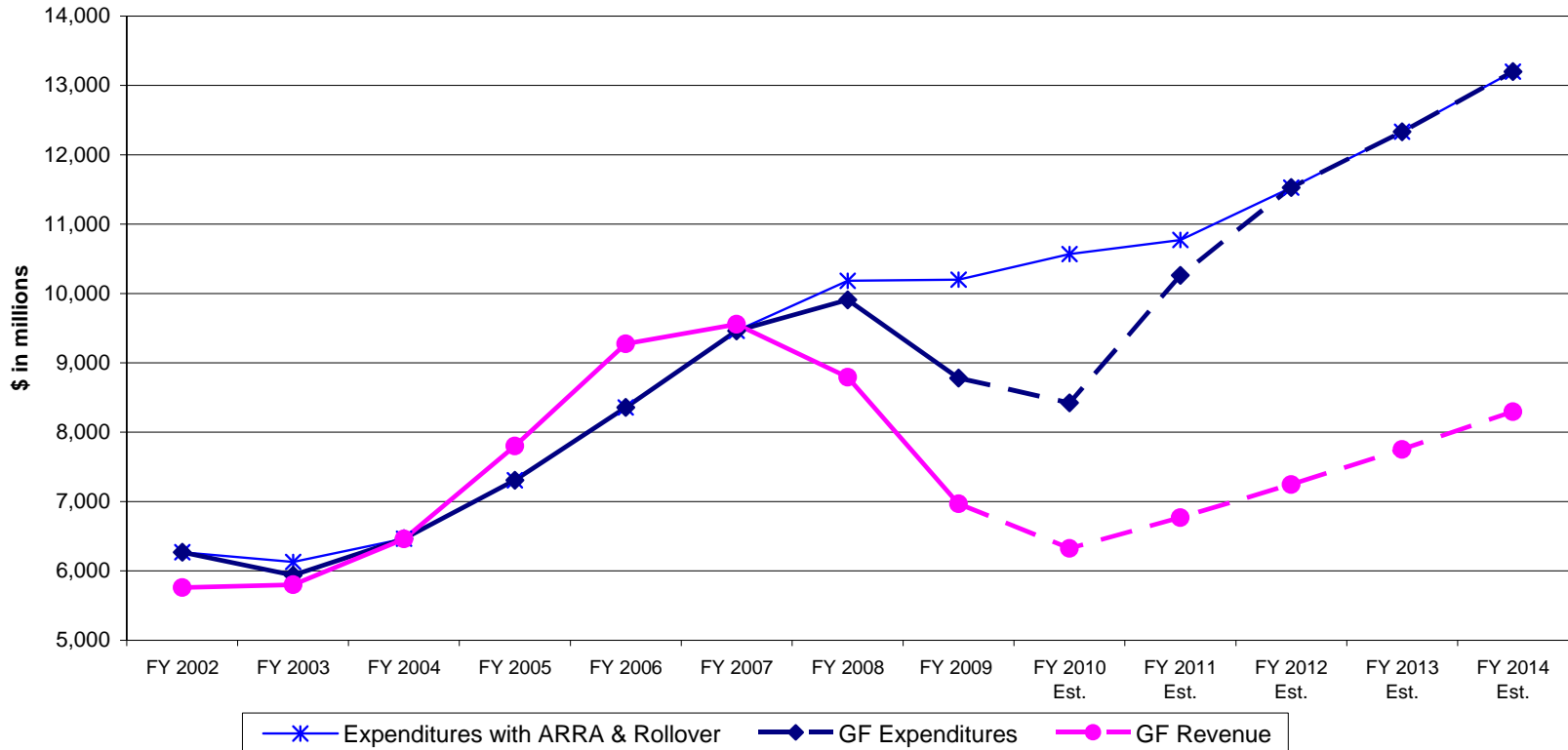
There are three interconnected problems

- Current year deficit
- Structural deficit
- Cash flow

# What's the Problem?

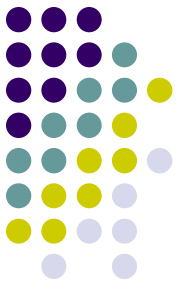


General Fund Ongoing Revenue and Expenditures before Solutions



Assumptions: **Revenue:** Ongoing revenue does not include one time items such as fund transfer, asset sales, etc. Growth rates assumptions: FY10: -9.2%, FY11:7%, FY12 and 7%. **Expenditure:** Ongoing expenditure does not include rollover or ARRA. FY10 and FY11 estimated Expenditure from most current S&U, FY12 and beyond assuming 7% growth.

# How did we get here?



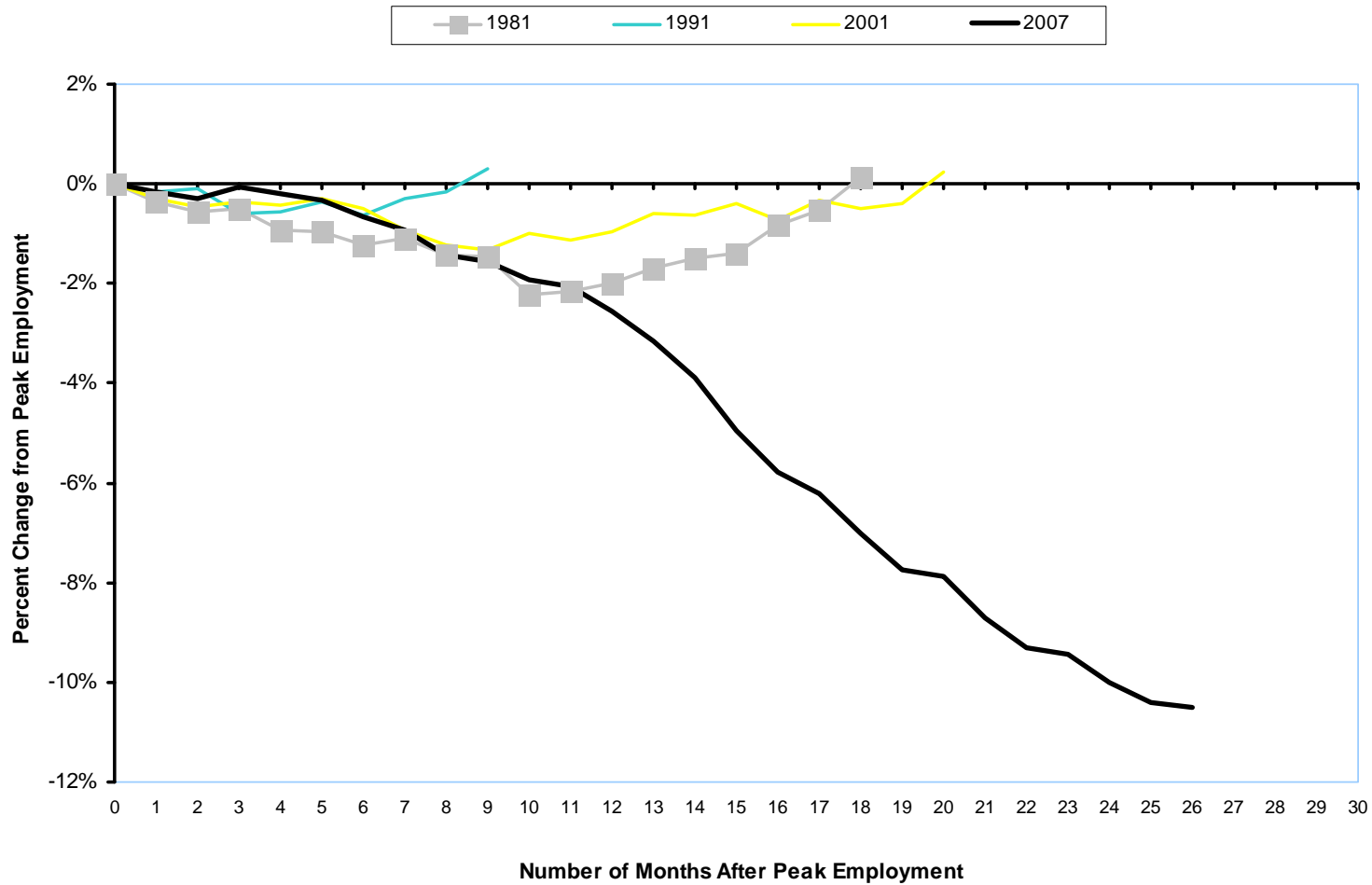
There are at least six reasons that led us to this point:

- The Economy
- Reduced Revenues
- Added Spending
- State Actions
- Constraints Imposed by the Voters
- The Federal Government

# How did we get here?



Arizona  
Number of Months needed to surpass a peak in employment.



# How did we get here?



## Growing Populations – Including FY 2011 Estimates

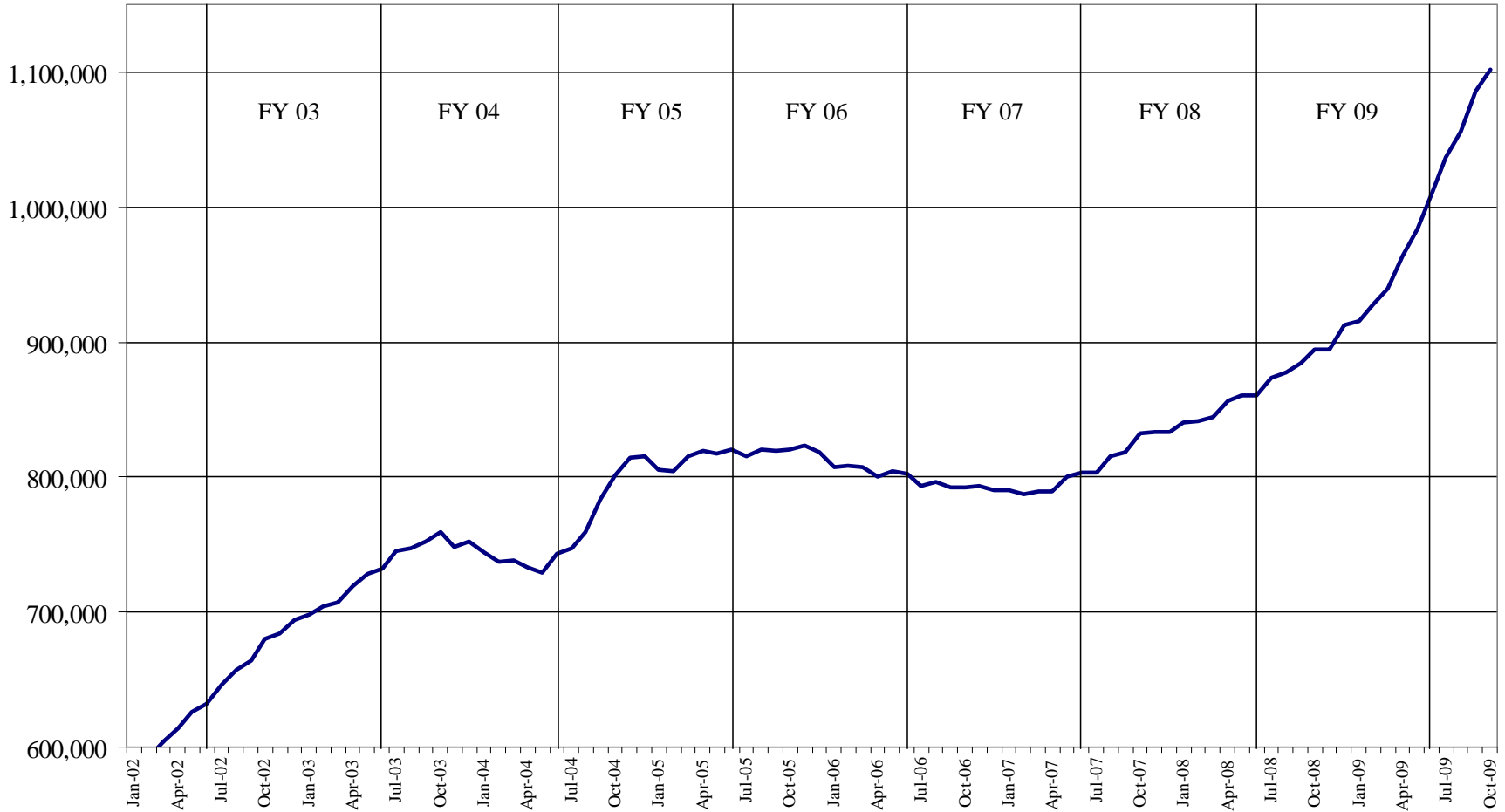
Current revenues = FY 2004

- Since FY 2004, Arizona has added 121,500 K-12 students and more than \$1.0 billion in annual costs to the K-12 system.
- Since FY 2004, enrollment in State universities has increased enrollment by 18,100 students and annual General Fund costs of \$393.5 million.
- Since FY 2004, Corrections has added 10,800 prisoners and annual General Fund costs of \$405.4 million.
- Since FY 2004, AHCCCS has added 475,000 new members and annual costs of nearly \$1.5 billion (General Fund).

# How did we get here?

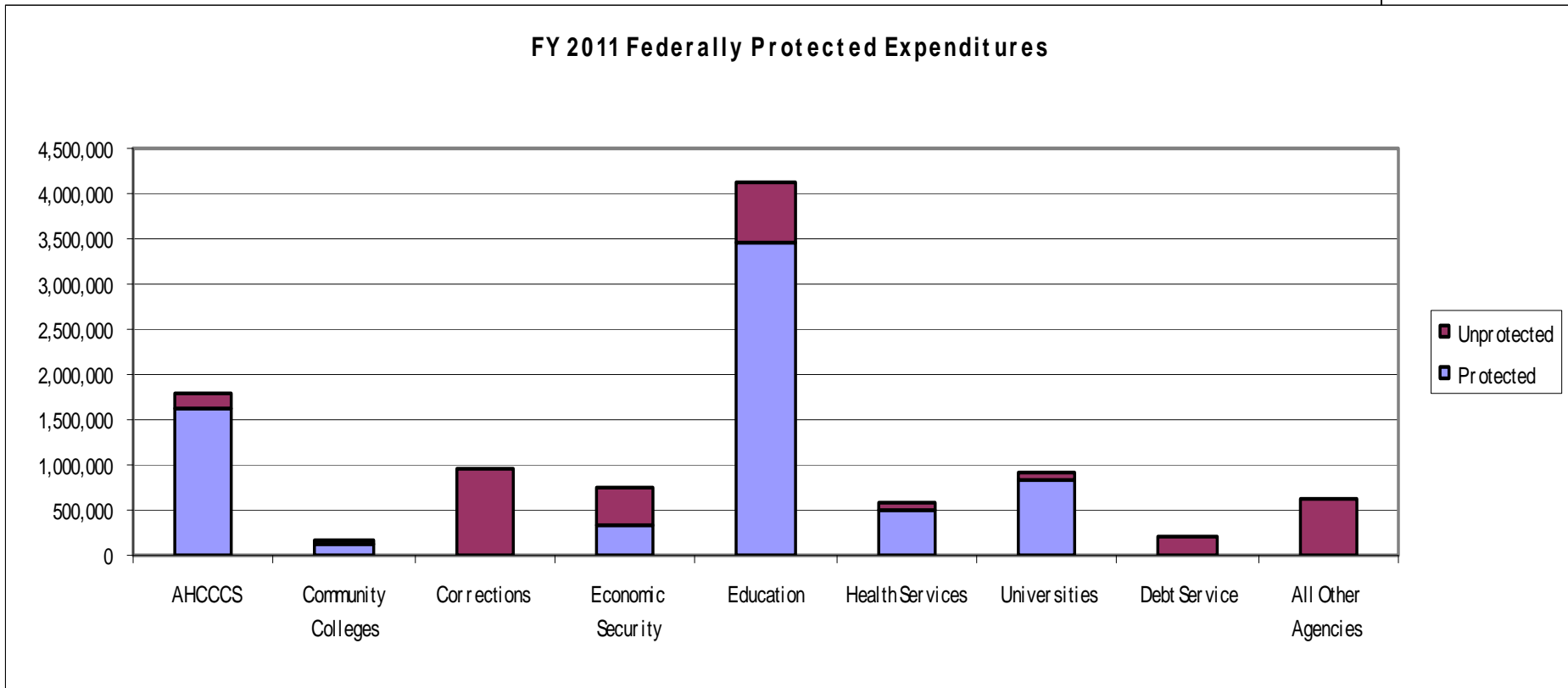


AHCCCS All TXIX Capitation Member Months



# FY 2011

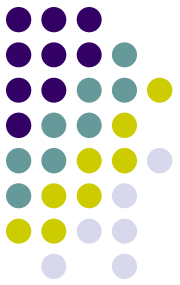
## ARRA MOE Requirements



Approximately \$3.2 billion unprotected

(Note: Federal MOE for Medicaid currently ends on December 31, 2010)

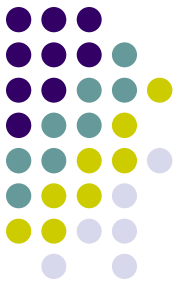
# The Plan – Overview



## FY 2010 Solution

Budget Reductions	6%	\$92.0
Rollovers	28%	\$450.0
Debt	45%	\$750.0
Fund Transfers	1%	\$16.0
Lottery	2%	\$30.0
Revenue	16%	\$263.0
Other	2%	\$26.0
Total		\$1,627.0

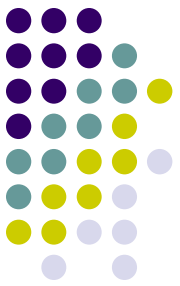
# The Plan – Overview



## FY 2011 Solution

Budget Reductions	36%	\$1,159.0
FY 2010 Ending Balance	7%	\$230.0
SFB Debt Restructure	2%	\$60.0
Lottery	2%	\$60.0
Prop. 105 Balances	12%	\$384.0
New Revenue	34%	\$1,092.0
Fund Transfers	5%	\$173.0
Salary Reduction	2%	\$60.0
Total		\$3,218.0

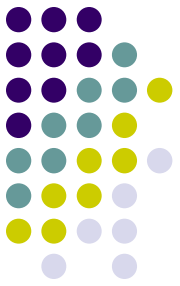
# The Plan – Health and Welfare



## AHCCCS Adjustments

- Medicaid Population Growth \$389 million and Federal Stimulus Backfill \$202 million
- The Executive recommends eliminating the KidsCare program, saving \$22.9 million. KidsCare provides health coverage for 46,800 children with incomes below 200% of FPL.
- Capitation rate growth held flat; will likely result in provider rate reductions, saving \$57.1 million.
- Optional benefits are eliminated under the Executive proposal for a \$6.3 million savings.
- The Executive proposes eliminating GME and DSH hospital subsidies, leaving a \$500,000 total fund minimal DSH program (\$67.7 m TF).

# The Plan – Health and Welfare



## Proposition 204

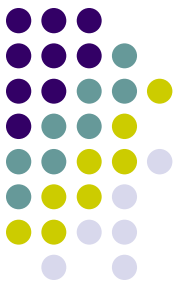
The Executive proposes holding a special election and amending the federal waiver to eliminate General Fund support for this program as of January 1, 2011.

- An estimated 310,500 people will lose coverage
- State will lose \$737.6 million in Federal matching funds
- GF will save \$382.5 million in FY 2011, \$1 billion in FY 2012

Two potential federal issues could impact this recommendation

- Health Care Reform
- Extension of Stimulus Funding

# The Plan – Health and Welfare



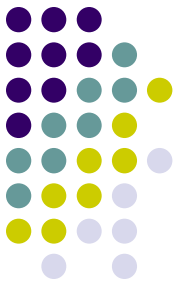
## Arnold v. Sarn

- Change the statute that requires funding for Arnold v. Sarn, Non-TXIX SMI, and the Court Monitor
  - 17,400 Adults impacted
  - Saves \$37 million
- Preserves \$21 million for new stand-alone Crisis Intervention and Supported Housing
- Preserves \$37 million to fund medications for all Non-TXIX SMIs

## BHS Reform

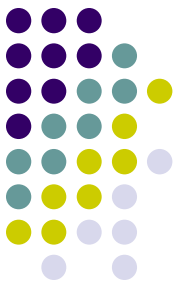
- Transfers TXIX General Mental Health and Substance Abuse clients to AHCCCS
- Creates a Pilot Program to integrate SMI services at AHCCCS

# The Plan – General Government



## Other Executive recommendations

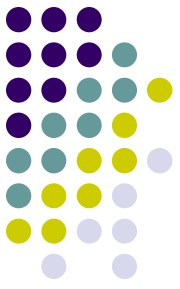
- Eliminates Department of Juvenile Corrections (\$70 million and 900+ staff)
- Reduces state employee pay (5 percent)
- Eliminating Growing Smarter payments and sweeping the Land Conservation Fund (\$124 million)
- Moves ADEQ, Water, Tourism to self funding



# Provider Tax

- AHCCCS Report looked at 3 types of provider Tax
  - Hospital – 1% net revenues= \$100 million
  - Nursing Facility - 1% revenues= approx \$10 million
  - Premium Ins. Tax - Managed Care Organizations – would need to include other Commercial lines – 1% = \$160 million
- Policy issues include
  - What should be taxed
  - What rate should it be taxed
  - What should be done with the funds
- Budget Neutrality is also an issue and recently AHCCCS updated surplus estimate from \$130 million to \$670 million

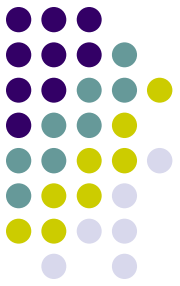
# Senate/House Comparison



## Health Care Reform

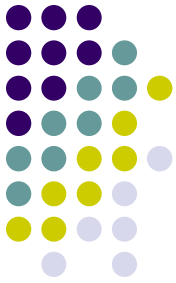
- Senate expand Medicaid to all individuals with incomes up to 133% FPL (to be implemented in 2014).
- The Senate rolls CHIP into Medicaid and Exchange starting in 2015
- The Senate bill is projected to increase AHCCCS costs by \$4.0 Billion from 2014 through 2020.
- Expand Medicaid to all individuals with incomes up to 150% FPL.
- The House bill is projected to save Arizona almost \$7 Billion from 2011 through 2020. (No savings generated from July 1, 2011 through Jan. 1, 2013)

# Federal Policy on Expansion



- Arizona is one of about 6 states that has enacted coverage of childless adults up to 100% of the federal poverty limit (AZ, NY, MA, VT, HI, DE)
- The policy decision made with regards to coverage for expansion populations has a dramatic impact on funding requirements and should be more equitable.
- The House has a much more narrow range of funding requirements versus the Senate. It would provide 100% federal funding for all childless adults in 2013 and 2014 and 91% thereafter.
- Under the Senate bill Arizona will receive the traditional Medicaid match of roughly 67% for childless adults.
- Under the Senate bill if Arizona had not expanded it would have received 100% in 2014-16 and 95% thereafter
- Under the Senate proposal, Arizona must pay over \$15 billion more (through 2020) because of expansion.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM  
HEALTHCARE REFORM MAINTENANCE OF EFFORT IMPACT  
STATE FISCAL YEAR 2010 ACUTE BUDGET**

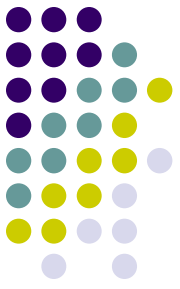


POPULATION	CURRENT			HOUSE AND SENATE		
	OPTIONAL	MANDATORY	TOTAL	OPTIONAL	MANDATORY	TOTAL
Children & Families	-	3,042,000,000	3,042,000,000	-	3,042,000,000	3,042,000,000
Parent Expansion	540,200,000	-	540,200,000	-	540,200,000	540,200,000
Aged, Blind, & Disabled Base	-	1,112,000,000	1,112,000,000	-	1,112,000,000	1,112,000,000
Aged, Blind, & Disabled Expansion	134,100,000	-	134,100,000	-	134,100,000	134,100,000
Childless Adults	2,401,800,000	-	2,401,800,000	-	2,401,800,000	2,401,800,000
KidsCare (Title XXI)	103,300,000	-	103,300,000	-	103,300,000	103,300,000
<b>Total Acute</b>	<b>3,179,400,000</b>	<b>4,154,000,000</b>	<b>7,333,400,000</b>	<b>-</b>	<b>7,333,400,000</b>	<b>7,333,400,000</b>

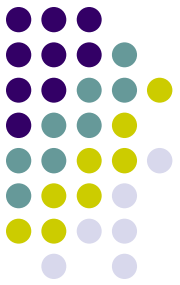
Notes:

- 1) Dollars are Total Fund, based on State Fiscal Year 2010 AHCCCS September Budget (without Capitation Rollover).
- 2) Includes Behavioral Health and Children's Rehabilitative Services expenditures.
- 3) Does not include ALTCS, School Based Services, Administrative Costs, Freedom to Work, or Breast and Cervical Cancer populations
- 4) Does not include supplemental hospital payments, reconciliation payments, or Medicare Clawback payments.

# Concerns for Arizona



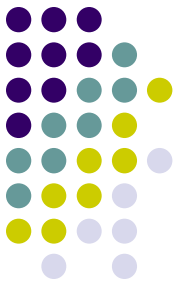
- Governor's December 30<sup>th</sup> Statement
  - House Delegation members should “forcefully reject” the Senate bill because it will only exacerbate Arizona fiscal problems
  - Bill creates unfunded mandate and punishes Arizona for previous expansion
  - Taxpayers in Arizona will need to support costs in our state and others
  - Bill eliminates discretion of States
- December 4, Governor sends letter to AZ Congressional delegation outlining State's fiscal crisis
  - Governor does not support mandated expansion of Medicaid at this time but if Congress pursues mandated expansion, it should be 100% federally funded
  - States should be allowed to retain some flexibility with regards to MOE requirements because Arizona needs ability to cap expansion populations such as childless adults
- AHCCCS Letter to Governor on fiscal impact can be found on website.



# Strategic Direction

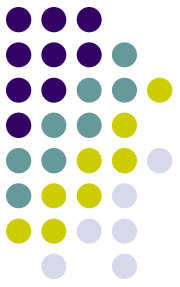
- Goal 1: Develop and improve resource management strategies
- Goal 2: Seek Continuous Quality Improvement
- Goal 3: Maintain core AHCCCS service delivery model that remains effective
- Goal 4: Maintain core organizational that effectively serves AHCCCS operations

# Program Integrity Plan



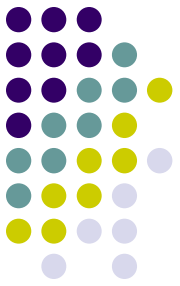
- Develop Baseline Scorecard
- Develop and disseminate PI educational information to stakeholders (e-learning)
- Expand use of technology and data analytics to improve overall PI efforts and results (RFP)
- Improve member compliance opportunities (ID)
- Partner with CMS as part of continuing overall PI efforts and resources
- Pursue opportunities to collaborate/cooperate with other agencies/organizations to expand PI resources and results

# Two Year Operation Projects Plan



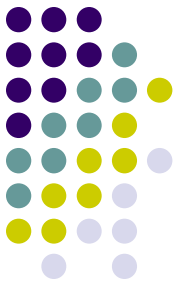
- 5010 Update
- Transplants
- School Based Claims RFP
- FFS Rate Rebases
- Waiver Renewal
- ALTCS RFP
- FFS Electronic Remits/Claims Attach./EFT
- CHIPRA Implementation
- External Audits

# Health Information Technology (HIT) Strategic Plan



- Goal 1: Develop Medicaid HIT plan that addresses current and “to be” environment with a specific focus on implementing incentive payments
- Goal 2: Promote electronic health records and maximize Medicaid incentive payments for eligible providers
- Goal 3: Provide leadership for Medicaid stakeholders by participating in key coalitions that are pursuing a sustainable HIE and other relevant HIT partners

# HIT Update



- AMIE ceased operations as of December 2009
- AMIE-SAHIE Boards came together and agreed to work to pursue vision of single state-wide HIE
- AMIE Board is currently funding 3 months joint planning effort with SAHIE
- Planning efforts have 2 teams focused on Technology (due diligence) and Governance
- Arizona Health E Connection did not receive first round Regional Extension Funding
- Governor's Office is still waiting for formal feedback from ONC on HIE funding
- AHCCCS has received federal approval to receive 90% planning funding
- CMS has published proposed regulation establishing "Meaningful Use" criteria