

## **FACTS ABOUT AHCCCS: ADDRESSING STATE FLEXIBILITIES OUTLINED BY SECRETARY SEBELIUS**

On February 3, 2011, Secretary Sebelius issued a letter to all Governors suggesting several ways states could modify their Medicaid programs and find opportunities to meet health care needs while coping with rising costs. The same day, Governor Brewer issued a statement responding to Secretary Sebelius' letter.

This fact sheet provides additional detail on the suggestions highlighted in the Secretary's letter and steps that the Arizona Health Care Cost Containment System (AHCCCS), Arizona's single state Medicaid agency, has already taken to reduce costs.

### **Benefits**

- AHCCCS has modified benefits, eliminated some optional benefits and limited amount duration and scope of benefits. Additional detail can be found on the AHCCCS website at <http://www.azahcccs.gov/reporting/legislation/sessions/2010/BenefitChanges.aspx>.
- AHCCCS is currently preparing to add limits to inpatient hospital stays.
- Home and community based services (HCBS) and drug coverage (discussed below) are the only two remaining optional benefits where large scale reductions could be made.
  - Arizona is number one in terms of HCBS – over 70% of the elderly and physically disabled and 99% of members with developmental disabilities reside in the home or community.
  - Arizona is not like the average state that sees disproportionately high costs for those at risk of institutionalization.
  - Elimination of drug coverage or HCBS would simply lead to higher costs within the program.

### **Medical Management for Members**

- Arizona's managed care model works.
- Members are assigned to primary care physicians.
- AHCCCS health plans consistently rank above the national average in HEDIS measures, especially in the area of immunizations, oral health and preventive care for children. AHCCCS quality measures can be found on the website at <http://www.azahcccs.gov/reporting/quality/performanceasures.aspx>.
- As mentioned above, Arizona's model has already achieved high rates of services to long-term care members in the home and community.
- AHCCCS health plans are engaged in pilot programs similar to those outlined in the Affordable Care Act, such as medical home models and Accountable Care Organizations.
- AHCCCS is looking to expand innovative models through payment reform initiatives within Medicaid as part of its Section 1115 waiver renewal, which is currently before CMS.
- AHCCCS is also pursuing a demonstration project for the chronically ill as permitted under the Affordable Care Act.
- Finally, AHCCCS is a national leader in using an integrated delivery system for its dual eligible members (Medicare and Medicaid eligibles). This prevents the fragmentation that exists in many other states.
- AHCCCS continues to push for further integration for its dual eligibles having just applied for a contract with the Federal Coordinated Health Office to merge Medicare and Medicaid requirements.

### **Drug Coverage**

- AHCCCS has the lowest pharmacy costs per member among Medicaid programs in the country.
- Use of generic drugs in the AHCCCS program ranks as one of the highest.
- Because AHCCCS partners with private health plans, Arizona is able to leverage competitive pricing. For example, two of AHCCCS' largest Medicaid plans are owned by UnitedHealth Group and Aetna, who use their market leverage to obtain best pricing.
- AHCCCS health plans use strategies like mail order and management of over-prescribed high cost drugs.
- In addition, AHCCCS is taking advantage of changes in the law to have managed care plans participate in the federal Drug Rebate program.

### **Cost Sharing**

- Arizona has maximized savings that can be achieved through cost sharing at the amount established under federal law
- AHCCCS uses alternative cost sharing under the Deficit Reduction Act as well as cost sharing for its childless adult and spend down populations covered under the 1115 waiver.
- CHIP (KidsCare) families pay premiums to remain on the program.
- Freedom to Work (Ticket to Work) members pay premiums.
- Previously, AHCCCS had asked to allow providers to assess a penalty to our members for missed appointments; CMS said this was not permissible.

### **Program Integrity**

- Although AHCCCS staffing has been reduced by over 30%, program integrity remains a high priority to which AHCCCS has added additional resources.
- A national study of 17 states concluded that Arizona had the third lowest error rate.
- AHCCCS recently contracted with EDI, a data analytics vendor, to conduct data analytics allowing AHCCCS to increase program integrity efforts in managed care.
- Arizona's program integrity staff regularly lecture at best practices seminars nationally.

The points raised above are not comprehensive; they merely highlight what makes AHCCCS one of the most efficient and effective Medicaid programs in the country.