December 31, 2014

Dear Arizonans:

I am pleased to share with you a copy of the Arizona Health Care Cost Containment System (AHCCCS) Strategic Plan for State Fiscal Years 2015-2019. Thanks to the tremendous leadership of Governor Brewer and a majority of the legislature, AHCCCS and our stakeholders have spent the past year implementing coverage restoration and expansion for Arizonans.

The results have been remarkable. Since January 1, 2014, over 300,000 individuals have enrolled in the AHCCCS program, provider uncompensated care costs have decreased significantly and billions of dollars in federal funding have been leveraged to sustain and improve the healthcare delivery system for all Arizonans. All this has been done while at the same time reducing AHCCCS’s need for General Fund monies by working with hospital partners to implement an assessment that covers the state’s costs associated with restoration. The decision to restore coverage has provided Arizona’s healthcare industry with the support it needed.

With the completion of the coverage debate, AHCCCS continues to pursue four goals that were identified last year and are critical to sustaining and building on our success:

**Goal 1.** *AHCCCS must pursue and implement long-term strategies that bend the cost curve while improving member health outcomes.*

**Goal 2.** *AHCCCS must pursue continuous quality improvement.*

**Goal 3.** *AHCCCS must reduce the systematic fragmentation that exists in healthcare delivery to develop an integrated system of healthcare.*

**Goal 4.** *AHCCCS must maintain core organizational capacity, infrastructure and workforce planning that effectively serves AHCCCS operations.*

AHCCCS continues to serve as an innovative model for delivering efficient and effective health care to Arizonans in need. AHCCCS welcomes the opportunity to continue to be a leader and agent of change in the Arizona healthcare delivery system.

Sincerely,

[Signature]

Thomas J. Betlach
Director
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INTRODUCTION

The AHCCCS Strategic Plan for 2015-2019 begins with statements of the AHCCCS vision and mission, and a description of the Agency’s guiding principles. This is followed by an overview of the programs and populations AHCCCS serves, a review of accomplishments during the past fiscal year, and a scan of selected environmental circumstances that impact AHCCCS operations and drive strategic planning.

The Plan identifies Six Areas of Focus for AHCCCS. These include:
1. Delivery System Alignment and Integration
2. Payment Modernization
3. Tribal Care Coordination Initiative
4. Program Integrity
5. Health Information Technology
6. AHCCCS Quality Assessment and Performance Improvement Strategy.

The Plan then concludes with a summary of Goals, Strategies and Performance Measures that will serve to focus the efforts and energy of the program over the next few years.

AHCCCS VISION:
Shaping tomorrow’s managed health care… from today’s experience, quality, and innovation.

AHCCCS MISSION:
Reaching across Arizona to provide comprehensive, quality health care for those in need.

GUIDING PRINCIPLES:

- A Strategic Plan is the result of a collaborative process and reflects informed planning efforts by the Executive Management Team.

- AHCCCS continues to pursue multiple long-term strategies already in place that can effectively bend the cost curve including: system alignment and integration, payment modernization, tribal care coordination, program integrity, health information technology and continuous quality improvement initiatives.

- Success is only possible through the retention and recruitment of high quality staff.

- Program integrity is an essential component of all operational departments and, when supported by transparency, promotes efficiency and accountability in the management and delivery of services.

- AHCCCS must continue to engage stakeholders regarding strategic opportunities.
Reaching Across Arizona to Provide Comprehensive, Quality Health Care for Those in Need

Bend the cost curve while improving the member’s health outcomes

- Increase transparency by providing relevant financial and quality information
- Implement shared savings requirements for ALTCS and Acute Care Contractors
- Modernize hospital payments to better align incentives, increase efficiency and improve quality of care
- Pursue funding opportunities to lower medical costs and improve quality of care
- Achieve Program Integrity Plan goals

Pursue continuous quality improvement

- Promote and evaluate access to care
- Improve health outcomes for integrated populations
- Achieve statistically significant improvements on Contractor PIPs
- Leverage American Indian care management program to improve health outcomes

Reduce fragmentation in healthcare delivery to develop an integrated system of healthcare

- Align and integrate model for SMI members statewide and dual eligible members
- Build care coordination opportunities in the system
- Leverage HIT investments to create more data flow in healthcare delivery system
- Build analytics into actionable solutions

Maintain core organizational capacity, infrastructure and workforce

- Deploy electronic solutions to reduce healthcare admin burden
- Strengthen information system security and compliance
- Ensure talent infrastructure remains in place
- Maintain IT network infrastructure

Improve accuracy and efficiency of eligibility determination process for Medicaid and CHIP through electronic verification
AHCCCS OVERVIEW

The Arizona Health Care Cost Containment System (AHCCCS), the State’s Medicaid Agency, uses federal, state, and county funds to provide health care coverage to the State’s Acute and Long-Term Care Medicaid populations. Since 1982, when it became the first statewide Medicaid managed care system in the nation, AHCCCS has operated under a federal Research and Demonstration 1115 Waiver authority that allows for the operation of a total managed care model.

AHCCCS makes prospective capitation payments to contracted health plans responsible for the delivery of care to members. The result is a managed care system that mainstreams recipients, allows them to select their providers, and encourages quality care and preventive services. In 2013, the Legislature enacted Governor Brewer’s Medicaid Restoration Plan, which has provided coverage to over 300,000 Arizonans. As a result of an enrollment freeze, the childless adult population had dropped from 250,000 to approximately 67,000 as of December, 2013. However, since the Governor’s Restoration Plan was implemented on January 1, 2014, this population has increased to 276,638 as of December 1, 2014. As a mechanism to draw down enhanced federal funding to cover this population, the Governor’s Restoration Plan also included a modest expansion in AHCCCS eligibility, from 100-133% FPL. To date about 32,600 individuals have received coverage through this group.

TOTAL AHCCCS ACUTE CARE ENROLLMENT

As depicted in the graph above, the growth associated with the restoration of coverage has been very close to the estimates provided by AHCCCS over one year ago.

The table below provides a snapshot of the AHCCCS enrollment as of November 1, 2014. As of December 1, 2014, approximately 1.5 million Arizonans were enrolled in the AHCCCS program.
AHCCCS oversees three main programs:

<table>
<thead>
<tr>
<th>Program</th>
<th>Number Recipients*</th>
<th>Percent Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHCCCS Acute Care</td>
<td>1,446,309</td>
<td>96%</td>
</tr>
<tr>
<td>Arizona Long Term Care System (ALTCS)</td>
<td>56,544</td>
<td>3.7%</td>
</tr>
<tr>
<td>KidsCare</td>
<td>1,898</td>
<td>0.13%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,504,751</strong></td>
<td><strong>100%</strong></td>
</tr>
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* As of December 1, 2014

**AHCCCS Acute Care**

The majority of Acute Care Program recipients are children and pregnant women who qualify for the federal Medicaid Program (Title XIX). Although most AHCCCS members are required to enroll in contracted health plans, American Indians and Alaska Natives in the Acute Care Program may choose to receive services through either the contracted health plans or the American Indian Health Program, the agency’s only fee-for-service program. As required by federal law, AHCCCS also administers an emergency services only program for individuals who, except for immigration status, would qualify for full AHCCCS benefits.

**ALTCS**

The Arizona Long Term Care System (ALTCS) provides acute care, behavioral health services, long-term care, and case management to individuals who are elderly, physically disabled, or developmentally disabled and meet the criteria for institutionalization. Whereas ALTCS members account for less than 4.0% of the AHCCCS population, they account for approximately 26.0% of the costs. The ALTCS program encourages delivery of care in alternative residential settings. As in the Acute Care Program, elderly, physically disabled and developmentally disabled members of all ages receive care through contracted plans.

**KidsCare**

The Children’s Health Insurance Program (CHIP), known as KidsCare in Arizona, offers affordable insurance coverage for low income families. Children under age 19 may qualify for the program if their family’s income exceeds the limit allowed for Medicaid eligibility, but is below 200% of the Federal Poverty Level (FPL). An enrollment freeze was instituted in January, 2010, which has resulted in the program going from 45,820 children to 1,898 as of December 1, 2014.

Between May, 2012 and January, 2014, AHCCCS worked with local funding partners to create the KidsCare II program. Using a combination of local and federal funding, KidsCare II provided an affordable option for health care coverage to a limited group of children previously eligible for KidsCare prior to the availability of coverage on the Health Insurance Marketplace. As of January 1, 2014, there were approximately 37,000 children enrolled in KidsCare II. The KidsCare II program was terminated with the opening of the Health Insurance Marketplace in January, 2014. Following the closure of the KidsCare II program, AHCCCS was able to successfully transition 23,000 KidsCare II recipients onto Medicaid under the expanded income eligibility guidelines. The remaining 14,000 children became eligible for tax credits and enrollment in the Health Insurance Marketplace.
Additional Program Detail

AHCCCS administers a Freedom to Work Program and a Breast and Cervical Cancer Treatment Program. These are considered Acute Care programs and included in Acute Care Program enrollment numbers.

AHCCCS engages in contracts with a number of public and private organizations that provide a variety of services:

- Behavioral health services are provided by the Arizona Department of Health Services (ADHS), Division of Behavioral Health Services (DBHS).
- Services for individuals with developmental disabilities in ALTCS are offered through the Arizona Department of Economic Security (ADES), Division of Developmental Disabilities (DDD).
- Acute health care services for children in foster care are provided by the Arizona Department of Child Safety (DCS), Comprehensive Medical and Dental Program (CMDP).
- Selected administrative services, such as eligibility determination, are performed by ADES.
- Claims payments associated with the Medicaid School Based Claiming (SBC) program are administered by a private third party administrator.

KEY ACCOMPLISHMENTS

- AHCCCS has successfully implemented the eligibility changes that were included in the Governor’s Medicaid Restoration Plan, which was enacted by the Legislature in 2013. Since the Plan’s effective date, the Agency has enrolled more than 200,000 Proposition 204 childless adults and more than 32,000 individuals now eligible in the Adult Expansion group, or those between 100-133% FPL.

- AHCCCS was ranked number one nationally among state Medicaid programs for its individuals with developmental disabilities program in the 2014 United Cerebral Palsy Report.

- AHCCCS has successfully completed its “Triple Crown Procurements” effective October 1, 2013 and April 1, 2014:
  - The Agency collaborated with the Department of Health Services to award a five year, $5 billion contract to the new Maricopa Regional Behavioral Health Authority (RBHA), which is responsible for integrating medical and behavioral health care for AHCCCS members with a serious mental illness. Mercy Maricopa Integrated Care plan, the new RBHA, is also responsible for providing general mental health and substance abuse services, in addition to children’s behavioral health services. As part of its contract, the new Maricopa RBHA will expand its provider network and over the course of the next five years, open twenty integrated clinics to better serve members in Maricopa County.
  - AHCCCS awarded $33 billion in health plan contracts for the provision of services to members of the Acute Care population. As part of the implementation, the Agency successfully transitioned approximately 130,000 AHCCCS members from a relinquishing health to a new health plan, ensuring that this occurred with no disruption in health plan services.
  - AHCCCS successfully integrated services for Children with Special Needs who are covered in the Children’s Rehabilitative Services Program, or CRS. These children, who previously received services for their medical and special health care needs under three health plans, will now be served by a single health plan that is responsible for
establishing care coordination and streamlining the provision of services to this vulnerable population.

- AHCCCS continues to pursue long-term strategies to bend the health care cost curve while improving quality outcomes and care coordination, including:
  
  - **Greater Arizona RFP:** AHCCCS continues in partnership with the ADHS to expand the availability of integrated services to members with serious mental illness and those seeking treatment for substance abuse and general mental health services statewide in the Greater Arizona RFP, which was awarded to integrated health plans to provide services in all RBHAs outside Maricopa County in December, 2014. These contracts will become effective October 1, 2015.

  - **Dual Eligible Members:** Arizona has over 130,000 individuals that are eligible for both Medicare and Medicaid. Arizona continues to leverage Dual Special Needs Plans (D-SNPs) as a platform for alignment. Working with contracted plans, AHCCCS has been able to successfully pursue strategies that have resulted in increased alignment over the past two years as depicted in the graph below. Today Arizona has 60,000 members enrolled in the same plan for Medicare and Medicaid.

![ALIGNED DUAL MEMBERS](image)

- AHCCCS continues to manage the program with minimal growth in per member per month costs with a growth rate of just 2% for the current year. As depicted in the graph below, overall growth from 2008-2015 has remained relatively flat. The vast majority of the decreases achieved over this time period have resulted from short-term budget saving changes made to provider reimbursement and benefits.
Payment Modernization: In support of payment models designed to better align incentives, AHCCCS is pursuing payment modernization strategies. AHCCCS incorporated this aspect as part of the procurements completed over the past year. The agency also implemented a new APR-DRG inpatient payment system on October 1, 2014.

Program Integrity: AHCCCS met the vast majority of the Program Integrity goals established in its Annual Plan. The Agency worked with prosecutors successfully on 25 different cases resulting in convictions, a program record. AHCCCS realized over $1.25 billion as a result of coordination of benefits, third party recoveries, and Office of Inspector General activities.
- Health Information Technology: AHCCCS has registered, validated and paid 2,725 eligible professionals and 68 eligible hospitals since the Health Information Technology program began in July, 2011, with Medicaid payments totaling over $189 million. AHCCCS continues to serve on the Health-E Connection Board and actively engage with The Network.

- AHCCCS successfully made over $1.0 billion in uncompensated care payments to hospitals, Indian Health Services and 638 facilities as a strategy to help manage through the very deep cuts that were made as part of the recession in Fiscal Years 2012-2014.

- AHCCCS collaborated with tribal partners to hold a care coordination forum, which became a catalyst to AHCCCS making significant investments in new staff and processes to improve American Indian Health Program care coordination efforts.

- The AHCCCS 2013 Employee Survey indicated a strong positive feeling among staff, despite the many challenges endured by the program over the past few years. A total of 98% of surveyed employees believe in the AHCCCS mission; 97.3% respect and value team members and 94.9% recognize others for work well done. In a separate survey conducted by the Department of Administration, AHCCCS has 6.3 engaged employees for every 1 disengaged employee compared to the statewide average of 1.6 engaged employees for every 1 disengaged employee.
ENVIRONMENTAL SCAN

To appreciate the context in which the AHCCCS Strategic Plan was developed, it is helpful to review the environment in which Arizona health care delivery systems operate and the challenges they may face in the future. The scan that follows is not meant to exhaustively cover the multiple over-arching circumstances that impact AHCCCS operations and drive strategic planning.

The Economy and AHCCCS Policy Decisions

The Arizona economy continues to recover slowly from a deep recession. After a historic high of 10.8% in 2010, the unemployment rate has steadily dropped to 7.1% in August 2014.

The State of Arizona also benefitted from lower than expected spending in the AHCCCS program, resulting in a $47 million savings to the State General Fund. This is attributable to the implementation of the Hospital Assessment, which is funding the state costs associated with the Medicaid Expansion population, as well as childless adults who receive coverage in accordance with Proposition 204.

In spite of these positive economic and fiscal gains, the state continues to face significant challenges going forward. The Joint Legislative Budget Committee recently estimated that the State General Fund is expected to experience a $49 million shortfall in SFY 2015 as a result of lower than expected revenues and economic growth, among other factors. This deficit is compounded by a recent court ruling that will increase the anticipated SFY 2015 shortfall by $366 million. It remains to be seen how this deficit will be addressed by the State Legislature.

Federal Budget

Since Medicaid is a federal-state partnership, it is important to recognize that future program success is not just dependent on state commitments but also the decisions made by federal policymakers. Given the mandates in the Affordable Care Act, it is unlikely that any significant changes will be made to Medicaid over the short term. However, as depicted in the graph below, Medicaid is squeezing federal funding for other policy purposes.
On a more positive note, the rate of growth associated with healthcare spending has slowed considerably over the past several years. Healthcare economists are still debating the major driving factors, but there is no doubt it is attributable to a combination of fundamental changes occurring within healthcare, combined with the impact of the Great Recession. As depicted in the graph below, this slowing has resulted in the Congressional Budget Office significantly revising downward the projections for the costs of Medicare, Medicaid and Qualified Health Plan subsidies as a percent of Gross Domestic Product.

Even with the positive trends from the last several years, sustainability of Medicaid continues to remain one of the top, if not the top, challenges for states in the foreseeable future.

SIX AREAS OF FOCUS

The next section highlights six areas where the agency has been pursuing multi-year efforts to drive positive changes into the AHCCCS system. In order to implement or pursue these opportunities, the proper systems and workforce infrastructure must be in place.

1. Delivery System Alignment and Integration

The definition of a system is an assemblage or combination of things or parts forming a complex or unitary whole. Unfortunately, health care delivery has become increasingly fragmented, leading to coordination and communication challenges for patients and clinicians. Ultimately, this fragmentation degrades the quality of health care due to disrupted relationships, poor coordination of care and communication within and across provider groups. In an effort to address this issue, the structure of the AHCCCS program is transforming. Integrated care delivery systems and the proper alignment of incentives efficiently improve health outcomes. Both are critical for reducing fragmentation.

Children’s Rehabilitative Services - Arizona’s Children’s Rehabilitative Services (CRS) was started in 1929 to serve children with complex health care needs who require specialized services. A list of specific conditions determines whether a child is eligible for CRS. Although
CRS is part of the Arizona Medicaid program. Prior to October 1, 2013, CRS services were not managed within AHCCCS health plans. As a result, a child with complex health care needs was enrolled in a minimum of three separate systems of care. One system provided primary care and specialty services for non-CRS conditions. The second plan provided specialty care through CRS. The third system was responsible for behavioral health services. This can be confusing for both families and providers. Coordinating care for CRS children became a challenge for AHCCCS.

The CRS integrated contract was successfully implemented on October 1, 2013. AHCCCS spearheaded a series of activities over a six-month period from May, 2013 to October, 2013 in order to ensure as smooth a transition as possible for the contractor, United Healthcare Community Plan (UHC). Those activities included the initiation of a comprehensive readiness review process, weekly monitoring of the contractor’s network development efforts, systems testing and oversight of the transition of member data from relinquishing contractors to UHC. In total, over 80 evaluation elements were reviewed to determine UHC’s readiness to administer members’ acute, behavioral health and CRS-related benefits.

AHCCCS continues to monitor UHC’s progress in serving the CRS membership through its standard oversight mechanism. In addition, throughout the next year, AHCCCS will continue to work with the Contractor to improve processes and coordination issues that have been identified throughout the transition to further perfect the delivery of services and enhance the outcomes and experience for members and their families.

Behavioral Health Services – National data indicates that individuals with serious mental illness die 25 years earlier than the general public. In Arizona, that number is even greater. Treatable medical conditions that result from modifiable risk factors such as smoking, obesity, substance abuse, and reluctance to access medical care are often the cause of the increased mortality. A holistic approach to care is essential for this population as the mind and body cannot be separated. This means physical and mental health are not mutually exclusive constructs - the health of one impacts the health of the other. A common treatment plan that integrates care for both physical and mental health needs will positively impact overall health outcomes.

AHCCCS worked with DBHS to create a RBHA model with expanded responsibility for Medicaid members determined to have a Serious Mental Illness (SMI) in Maricopa County. The integrated RBHA model is fully responsible for the delivery and payment of coordinated and integrated behavioral and physical health care for members with SMI. In addition, the RBHA provides behavioral health services to children and adults with general mental health and substance abuse needs and is required to be a Medicare Advantage plan. On April 1, 2014, the integrated RBHA contract with Mercy Maricopa Integrated Care (MMIC) was successfully implemented.

Given the unique approach for integrated care, and the fact that DBHS had historically only provided oversight for behavioral health services and not physical health services, AHCCCS spearheaded a series of activities that took place over the course of one year from April, 2013 to April, 2014. These activities were conducted in order to ensure that the DBHS was fully equipped to oversee its awarded subcontractor, Mercy Maricopa, to administer a fully integrated benefit for behavioral and physical services for individuals eligible to receive those services through the Integrated RBHA. Activities included the initiation of a comprehensive readiness review process, technical assistance meetings, weekly monitoring of the subcontractor’s network development efforts, systems testing and oversight of the transition of member data from relinquishing Contractors to Mercy Maricopa. In total, over 149 evaluation elements were reviewed to determine the DBHS’s readiness to oversee and administer members’ acute and behavioral health-related benefits through Mercy Maricopa.
The Greater Arizona (all counties except Maricopa) RBHA procurement is slated to begin with contract start dates of October 1, 2015. AHCCCS is working with DBHS to expand the SMI integration model to other counties. In addition, AHCCCS and DBHS have been working with contractors on strategies to address high need, high cost members that require more robust care coordination strategies between payers and providers.

**Integrated RBHA**

![Integrated RBHA diagram]

**Further Integration for Dual Eligible Members** – AHCCCS has more than 130,000 individuals who are eligible for both Medicaid and Medicare. When the Medicare Modernization Act was implemented, AHCCCS worked with its contracted managed care organizations to pursue the establishment D-SNPs where the member is enrolled in the same managed care organization for both Medicare and Medicaid. About forty-five percent of the AHCCCS dual population enrolled in managed care are in an aligned plan structure.

Avalere Health compared national data for duals enrolled in traditional Medicare fee-for-service to dual eligible members served by an AHCCCS health plan for both Medicare and Medicaid. The aligned AHCCCS duals exhibited:

- 31% lower rate of hospitalization;
- 43% lower rate of days spent in a hospital;
- 9% lower Emergency Department use; and
- 21% lower readmission rate.

AHCCCS has increased alignment by 20,000 members in the past two years and has a continued goal of increasing dual alignment from the current 60,000 to 75,000 beneficiaries, and
is pursuing various strategies in conjunction with the National Association of Medicaid Directors to achieve overall sustainability of the D-SNP platform.

AHCCCS has also been collaborating with DBHS to transition behavioral health services for duals to the Acute Care contractors on October 1, 2015. Expanding the model to this population so they may also receive acute and behavioral health care from one plan improves quality of care and increases efficiencies within the overall system.

2. Payment Modernization

One of the biggest challenges facing health care today is that incentives are not aligned for the providers. Even with significant managed care penetration, many providers still are reimbursed through fee-for-service mechanisms. In addition, hospital systems have large facility fixed costs and have business models built around having consumers hospitalized.

Payment modernization is a critical policy strategy for moving to a financially sustainable and value-based healthcare delivery system, which rewards high quality care provided at an affordable cost. There are many payment modernization approaches with varying degrees of breath and depth within both the Medicaid and Medicare program. Reforms include outcome based care models, aligned provider incentives, and increased patient engagement that can lead to improved health and overall program savings. Many AHCCCS stakeholders have initiatives that embrace various features of these sorts of health system reforms.

AHCCCS has had success in the past when care delivery and payment incentives are properly aligned. For example, when the ALTCS program first began, the vast majority of members resided in nursing facilities. Over time, AHCCCS incentivized contractors to establish more home and community placement opportunities for members. The end result has been a tremendous shift to home and community settings that not only increases savings for the program but also more appropriately meets the needs and desires of the members.

AHCCCS remains committed to maximizing the efficiencies within its program as demonstrated by the continual expanding payment modernization requirements for contractors.

*Shared Savings Requirements* – Beginning October 1, 2014, Acute Care health plans were required to enter into shared savings arrangements equal to 10% or more of their contracted medical spend to compete for capitation withhold incentives. Additionally, ALTCS plans were required to move forward with 5% shared savings arrangements.

*Inpatient Hospital Reimbursement* – On October 1, 2014, AHCCCS transitioned to an All Patient Refined Diagnostic Related Grouper (APR-DRG) methodology designed to reimburse per diagnosis rather than per day. Although DRGs have been used by the Centers for Medicare and Medicaid Services to reimburse hospitals for Medicare beneficiaries, the APR-DRG model is an updated reimbursement model more appropriate for the Medicaid program.

*Federally Qualified Health Center (FQHC) Alignment* – The federal government mandates the cost based payment methodology for Federally Qualified Health Centers. This payment system has historically involved health plans paying a rate for service and then the clinics receiving supplemental payments from AHCCCS. Over the years, the portion of funding paid by AHCCCS outside the contractual relationship between the plan and FQHC provider has grown tremendously to the point where the supplemental payments represent approximately two-thirds
of the total funding paid to FQHCs. On January 1, 2015, AHCCCS will be implementing a requirement that the contracted health plans pay the PPS rate to all FQHCs for services.

3. Tribal Care Coordination Initiative

Arizona is home to over 350,000 American Indians, approximately half of whom are enrolled in AHCCCS. Significant health disparities exist between the American Indian and general population of Arizona. The average age of death for American Indians is 17.5 years lower than the general population, and American Indians experience higher death rates from many preventable diseases. Whereas the American Indian population accounts for less than 2% of the national population and 4% of the Arizona population, it accounts for approximately 10% of the AHCCCS population.

AHCCCS is committed to improving the health outcomes of tribal members by identifying critical population needs and by collaborating with tribes, tribal health partners, community organizations and state and federal agencies. This is accomplished through the implementation of program initiatives and data sharing efforts that support care coordination and encourage the use of medical homes. Currently, the Initiative is focused on four populations: super utilizers; post inpatient hospital stay including newborns; diabetic and long-term care patients. Overall, the goals of the Initiative are to reduce emergency department utilization; reduce unnecessary inpatient hospital stays and re-admissions; increase appropriate and timely utilization of behavioral health services and lower narcotic utilization and/or increase medication compliance.

The next phase of the Tribal Care Coordination Initiative shall include the expansion of outreach for data sharing to additional IHS/638 facilities; outreach to non-IHS/638 facilities regarding the American Indian Health Program (AIHP) population, and establish statewide partnerships with the RBHAs and TRBHAs.

4. Program Integrity

The Centers for Medicare and Medicaid Services (CMS) policy defines Medicaid Program Integrity as the “...planning, prevention, detection, and investigation/recovery activities undertaken to minimize or prevent overpayments due to Medicaid fraud, waste, or abuse.” In keeping with the comprehensive nature of this definition, AHCCCS believes that Program Integrity is an important component of all operational departments.

In State Fiscal Year (SFY) 2015, AHCCCS is projected to spend $11.0 billion providing health care coverage to over 1.6 million Arizonans through a network of over 60,000 providers. Given the size and scope of the AHCCCS program, there are program integrity risks at both the member and provider level. AHCCCS is committed to developing strategies and tools to ensure proper oversight of the limited taxpayer resources. Effective program integrity is a critical component of any long-term strategy in managing costs.

For the fifth consecutive year, AHCCCS has developed and published an agency Program Integrity Plan that lays out a series of goals and objectives that are currently being pursued. This plan is developed by an Executive-level Program Integrity Team that meets on a regular basis to review agency progress. The AHCCCS Program Integrity experts are also involved in national initiatives geared toward creating Program Integrity tools for other states to use.

5. Health Information Technology
The State Medicaid Health Information Technology Plan (SMHP), located on the AHCCCS website, describes the Agency’s historical, current, and future efforts to improve health outcomes by leveraging electronic health record (EHR) deployment, adoption, and use by providers. Under the HITECH Act, CMS launched the Meaningful Use Program to provide incentive payments to eligible professionals and hospitals to support their adoption, implementation and use of certified EHR technology. Certain high volume eligible professionals including physicians, dentists, and nurse practitioners can receive incentive payments up to $44,000 through the Medicare EHR Incentive Program and up to $63,750 through the Medicaid EHR Incentive Program. Hospital payments vary and are based on an initial amount plus modifications based on costs.

As of April 2014, over $400 million in Medicare and Medicaid EHR Incentive Program payments have been paid to Eligible Hospitals (EH) and certain Eligible Professionals (EP). Over 3,000 Medicaid Incentive payments were paid to EPs, including 2,725 payments for the first part of the program called Adopt, Implement or Upgrade and 600 payments for providers who were able to meet Stage 1 of the Meaningful Use Program. Over 100 EHs received payments, including 68 for Adopt, Implement or Upgrade and 55 for Meaningful Use. Between the Medicare and Medicaid program, approximately 22% of providers are meeting Meaningful Use requirements.

Having providers adopt and use certified electronic health records is seen as a first step in supporting providers who need to capture clinical data in a format that then allows it to be sent out electronically to other providers. The implementation and effective operation of a health information exchange (HIE) in Arizona provides the IT infrastructure that is needed to support secure clinical data exchange among providers across different organizations.

AHCCCS has developed multiple strategies that build on the EHR program and the investments made by CMS. These goals are designed to move the Arizona Provider community from data capture and sharing into advanced clinical processes resulting in improved health care outcomes:

Goal 1: Ensure Eligible Professionals and Eligible Hospitals Continue to Migrate through the EHRS Meaningful Use Program.

Goal 2: Accelerate Statewide HIE Participation for all High Volume Medicaid Providers and Health Plans

Goal 3: Increase Agency Use and Support for Health IT and Health Information Exchange

In addition, AHCCCS included specific requirements in the managed care contracts to expand use of e-prescribing by 20% over the next year. Arizona currently ranks 42nd nationally in the number of prescriptions that are transmitted electronically.

6. AHCCCS Quality Assessment and Performance Improvement Strategy

AHCCCS has built its quality structure over time by adhering to Federal requirements, continual review of applicable national standards and national and/or regional trends, collaboration with partners, and its own experiences. The Quality Strategy includes both the Medicaid and CHIP programs and encompasses AHCCCS Acute and Long-Term Care Contractors, ADHS/DBHS, and CRS. It also incorporates measures to improve the Agency's internal processes involving enrollee information, monitoring and evaluation.
AHCCCS regularly establishes key clinical and non-clinical areas on which to focus future quality improvement efforts. This is done through analyses of state and national trends and in consultation with other entities working to improve health care in Arizona, such as the Medicare Quality Improvement Organization (QIO), community leaders, other state agencies, and AHCCCS Contractors. In addition, AHCCCS utilizes the Consumer Assessment of Healthcare Providers and Systems (CAHPS) (below). It is a survey tool created by the Agency for Healthcare Research and Quality (AHRQ) to support and promote the assessment of members’ experiences with health care. The member data collected may be used to identify areas of program success and areas in need of targeted improvement. Scores of 4 or 5 indicate high levels of satisfaction, with 5 being the highest score. The lower scores of 1 for the SMI population indicate dissatisfaction largely with system fragmentation.

### CAHPS RESULTS

<table>
<thead>
<tr>
<th></th>
<th>Children</th>
<th>Adult</th>
<th>CRS</th>
<th>SMI</th>
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<tr>
<td>Health Plan</td>
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<td>Specialist</td>
<td>4</td>
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<td>1</td>
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<td>1</td>
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<td>4</td>
<td>2</td>
<td>2</td>
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<td>Members Surveyed</td>
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<td>5,077</td>
<td>1,360</td>
<td>555</td>
</tr>
</tbody>
</table>

AHCCCS also establishes performance measures based on the CMS Core Measure sets and the National Committee for Quality Assurance (NCQA) HEDIS measures, as well as measures unique to Arizona’s Medicaid program. Over time, the number and content of CMS measure sets has grown significantly and shifted the focus to align more with outcomes and experiences of care. AHCCCS has adopted measures from these sets that are the most relevant for the AHCCCS population, when reliable data sources exist and where the results of measurement would yield actionable opportunities to improve outcomes and member satisfaction. To support the transition to and implementation of new measures, AHCCCS continues to expand its information technology and business analytics capabilities to support expanded data source opportunities such as registries, EHRs and HIT, as these sources are deemed reliable.

AHCCCS also establishes minimum performance standards and goals for each performance measure that are based on national standards, such as the NCQA National Medicaid means,
whenever possible. Contractors are expected to achieve the minimum performance standard for performance measures. Performance measure reports may compare the Contractors’ results with one another and with national Medicaid and commercial health plan averages. Contractors are expected to develop methods to continuously increase the well-being of their respective populations through the removal of barriers to care and ongoing process improvement. AHCCCS also participates in national efforts focused on developing Medicaid and CHIP Core Measures to allow comparability across States’ programs.

AHCCCS Contractors are expected to conduct Performance Improvement Projects (PIPs) in clinical care and non-clinical areas that are anticipated to have a favorable impact on health outcomes and member satisfaction. Utilizing financial, population, and disease-specific data and input from the Contractors, AHCCCS selects an indicator of performance improvement to be measured across Contractors. Focused PIPs may also be assigned to individual Contractors when needs are identified. For each mandated PIP, AHCCCS develops a methodology to measure performance in a standardized way across Contractors and manages data collection and analysis. In this way, AHCCCS ensures that the project is implemented by Contractors in a consistent manner and yields results that can be analyzed by individual Contractors, as well as by other stratifications and for the program overall. In addition, Contractors are required to review their data and quality measures to determine Contractor-specific PIPs.

**AGENCY SUPPORT FUNCTIONS**

If the agency is going to be successful in pursuing the Six Areas of Focus, then there are a number of other important infrastructure capabilities and initiatives that must be completed over the next several years.

**Systems**

AHCCCS continues its efforts to conform to ICD-10 requirements. ICD-10 is the largest single change to transactional code sets since HIPAA and it impacts the operation of the entire system in Arizona and across the country. Implementation of ICD-10 was initially scheduled for October 1, 2013. After initially delaying implementation until October 1, 2014, CMS has recently announced that implementation will take place on October 1, 2015. There is no overlap between code sets, so all payers and providers must have code sets updated by this date. The magnitude of this effort is best illustrated by the fact that the ICD-9 code set contains about 13,000 codes, while the ICD-10 code set contains approximately 70,000 codes with a completely different numbering system.

System resources will continue to be a challenge. Maintaining the appropriate infrastructure to manage and analyze the millions of records generated by the AHCCCS system requires appropriate investment.

**Security**

The AHCCCS Information Systems Division (ISD) must be ever vigilant regarding the security posture of our systems and information. As AHCCCS grows, developing and implementing new systems and updating technology, we are faced with new security vulnerabilities that have to be addressed. Proactive mitigation of these security risks strengthens our ability to safeguard and protect Personally Identifiable Information (PII) and Protected Health Information ( PHI) data entrusted to the Agency by our more than 1.5 million members. Security policies must be developed and maintained that meet growing state and federal requirements, and ISD staff are required to make more effort than ever before just to stay at the same risk level. The AHCCCS
ISD is responsible for providing technical support to the Hawaii Medicaid program, which means ISD staff must also maintain the security posture of Hawaii’s information. In addition to the AHCCCS mainframe system (PMMIS), ISD will continue to keep non-mainframe systems and applications running consistently and efficiently. This includes server based applications, network infrastructure, the data warehouse, and digital communication. It is important to note that PMMIS is a very mature system. Although it is still functional, performance is slowly degrading over time and maintenance of the mainframe is becoming more challenging. AHCCCS will need to begin to explore options for replacing the mainframe application in the near future, as replacement is the long-term solution.

Federally Facilitated Marketplace (FFM) and Eligibility
On November 28, 2012, Governor Brewer informed the Obama administration that Arizona would not pursue the creation of a state-based Health Insurance Exchange. Arizona will participate in a FFM, as outlined in the guidelines of the Affordable Care Act. The Agency continues to work on the implementation of the IT infrastructure, Health-e-Arizona Plus (HEAplus), to support ACA related changes to Medicaid and Medicaid restoration and interface to the FFM.

The Health-e-Arizona Plus October 1, 2013 Phase I implementation included: web-based eligibility system for applications, determinations, renewals, changes and health plan enrollment for all AHCCCS programs except ALTCS. The system also includes similar functionality for SNAP, TANF, and some local health programs. Phase I included portals for consumers, community assisters and state workers, and provided support through a variety of help and educational tools. It included account set up, identity proofing, notices, document management, on-line appeals requests, workload management tools, and premium billing. The system integrated with federal and state data systems, call center and interactive voice response (IVR), and the SNAP and TANF electronic benefit transfer (EBT) vendor.

Health-e-Arizona Plus Phase II (post October 1, 2014 through December 31, 2015) implementation includes: incorporation of remaining back-end functions in the AHCCCS and DES legacy systems. Health-e-Arizona Plus will also incorporate applications, determinations, renewals, changes and health plan enrollment for ALTCS.

Workforce
As seen in the following table, AHCCCS continues to operate with approximately one-third less staff than prior to the start of the Great Recession. Turnover rates remain, on the average, in the 16% range, while approximately 14% of the current AHCCCS workforce is eligible to retire during CY2014. Retirement projections predict that this number will increase each year thereafter in several key employee groups. As such, AHCCCS is faced with future prospects that will certainly test the resolve of the Division of Human Resource and Development (HRD) as well as the entire AHCCCS team as it works to acquire, develop and retain qualified staff.
AHCCCS is pursuing several strategies to address these challenges.

- Increasing AHCCCS’ presence in the employment marketplace for purposes of enhancing our ability to attract the most qualified applicants;
- Identifying and implementing relevant compensation strategies;
- Maintaining an environment conducive to staff engagement;
- Expanding innovative, low-cost professional development opportunities for existing employees;
- Retaining critical staff;
- Conducting workforce and succession planning in order to ensure continuity of services and avoid leaving a significant gap in the Agency’s knowledge base; and
- Continuing to provide flexibility.

Approximately 25% of the AHCCCS workforce is Virtual Office with an even higher percentage on some variation of a flexible work schedule. This type of flexibility has proven essential to retention and assisting employees with striking a work-life balance.

**Leveraging Data Analytics**
The availability of reliable and valid information and the capacity to make that information actionable is critical to the decision-making process. Data-driven decision-making is the best way for true reform to occur in the healthcare system. However, determining the most effective way to utilize data, and having the time and resources to effectively review or explore data can produce challenges. As a result, there is an increased value and emphasis being placed on data analytics. The Office of Business Intelligence (OBI) is responsible for the AHCCCS Data
Warehouse, which provides the Agency with information that is easily accessible and reliable. The information allows the organization to gain greater insight into its operations. AHCCCS will work with internal and external data analytics experts to develop the organization’s capacity as a whole to turn solid information into effective actions. Additionally, OBI staff will work to determine what information is most often required so a set of standard reports based on the organization’s focused areas can be developed.
STRATEGIC GOALS

GOAL 1.
AHCCCS must pursue and implement long term strategies that bend the cost curve while improving member health outcomes.

STRATEGY 1.1
Increase transparency by providing relevant financial and quality information

PERFORMANCE MEASURE 1.1.1
Establish a health plan report card with additional information relating to provider costs and qualify by 1/1/15

STRATEGY 1.2
Implement and maintain shared savings requirements for all ALTCS and Acute Care Contractors excluding CRS, CMDP and the RBHA

PERFORMANCE MEASURE 1.2.1
Percent of medical spend in shared savings arrangement

STRATEGY 1.3
Modernize hospital payments to better align incentives, increase efficiency and improve the quality of care provided to members

PERFORMANCE MEASURE 1.3.1
Begin work for quality based APR-DRG adjustments for future implementation

STRATEGY 1.4
Establish robust Payment Modernization stakeholder input opportunities

PERFORMANCE MEASURE 1.4.1
Number of new strategies developed from external meetings

STRATEGY 1.5
Achieve the Program Integrity Plan goals that improve Third Party Liability (TPL), Coordination of Benefits (COB), and Fraud and Abuse programs

PERFORMANCE MEASURE 1.5.1
Percent of Program Integrity goals met
GOAL 2.
AHCCCS must pursue continuous quality improvement

STRATEGY 2.1
Continue to promote and evaluate access to care

PERFORMANCE MEASURE 2.1.1
Percent of AHCCCS Contractors that meet the minimum contractual performance standards for Access to Care performance measures

STRATEGY 2.2
Continue to improve health outcomes for the integrated populations (CRS and SMI)

PERFORMANCE MEASURE 2.2.1
Percent of chronic care measures that achieve a statistically significant improvement for the integrated populations (CRS and SMI)

STRATEGY 2.3
Achieve statistically significant improvements on Contractor PIPs

PERFORMANCE MEASURE 2.3.1
Percent of AHCCCS Contractors that complete AHCCCS-mandated PIPs (improve and sustain performance) or demonstrate statistically significant improvement on re-measurements

STRATEGY 2.4
Achieve statistically significant improvements on quality performance measures

PERFORMANCE MEASURE 2.4.1
Percent of outcomes-focused quality performance measures (readmissions, inpatient days and emergency department utilization) that achieve a statistically significant state-wide improvement

PERFORMANCE MEASURE 2.4.2
Percent of quality performance measures for the Medicaid population that achieve a statistically significant state-wide improvement

STRATEGY 2.5
Leverage American Indian care management program to improve health outcomes

PERFORMANCE MEASURE 2.5.1
Percent of IHS and 638 utilizing AHCCCS data for care coordination

PERFORMANCE MEASURE 2.5.2
Active staffing of members with all T/RBHAs and 8 Facilities by 1-1-16
GOAL 3.
AHCCCS must reduce the systematic fragmentation that exists in healthcare delivery to develop an integrated system of healthcare

STRATEGY 3.1
Align and integrate the model for individuals with Serious Mental Illness (SMI) and Dual-eligible members

PERFORMANCE MEASURE 3.1.1
Percent of individuals with SMI aligned and integrated into the same plan for behavioral health and physical health services

PERFORMANCE MEASURE 3.1.2
Percent of dual-eligible members aligned and integrated into the same plan for Medicare and Medicaid services

STRATEGY 3.2
Pursue Care Coordination opportunities in System

PERFORMANCE MEASURE 3.2.1
Percentage of service blind spots (due to system fragmentation and carve-outs) resolved with provision of encounter information to Contractors to improve care coordination activities.*

*42 CFR Part 2 regulations generally prohibit the disclosure of information obtained by a federally assisted drug or alcohol abuse program. Encounter information for these services is excluded from this performance measure.

STRATEGY 3.3
Leverage HIT investments to create more data flow in healthcare delivery system

PERFORMANCE MEASURE 3.3.1
40% of Eligible Professionals that received an Adoption/Implementation/Upgrade payment will receive a Meaningful Use Stage 1 payment by 6-30-15

PERFORMANCE MEASURE 3.3.2
Participate in an operational HIE by 6-30-15

STRATEGY 3.4
Build analytics into actionable solutions

PERFORMANCE MEASURE 3.4.1
Implement new Program Integrity data analytics system by 10-1-15

STRATEGY 3.5
Build a web-based system (Health-e-Arizona Plus) in accordance with federal timelines and requirements that improve the accuracy and efficiency of the eligibility determination process for Medicaid and CHIP
PERFORMANCE MEASURE 3.5.1
Implement Phase II of Health-e-Arizona Plus including all DES offices and the integration of other systems such as ACE by mandated date of 12-31-15

GOAL 4.
AHCCCS must maintain core organizational capacity and workforce planning that effectively serves AHCCCS operations

STRATEGY 4.1
Pursue continued deployment of electronic solutions to reduce healthcare administrative burden

PERFORMANCE MEASURE 4.1.1
Percent of members submitting on-line applications

STRATEGY 4.2
Continue to manage workforce environment, promoting activities that support employee engagement and retention; and address potential gaps in the organization’s knowledge base due to retirements and other staff departures.

PERFORMANCE MEASURE 4.2.1
Rate of employee turnover within the first year of employment

PERFORMANCE MEASURE 4.2.3
Percent of positive responses from employees derived from the AHCCCS Employee Survey

STRATEGY 4.3
Strengthen system-wide security and compliance with privacy regulations related to all information/data by evaluating, analyzing and addressing potential security risks

PERFORMANCE MEASURE 4.3.1
Percent of documented findings that have been remediated

PERFORMANCE MEASURE 4.3.2
Percent of documented findings that have been remediated by MCOs

STRATEGY 4.4
Maintain IT network infrastructure, including server-based applications, ensuring business continuity

PERFORMANCE MEASURE 4.4.1
Network system availability

PERFORMANCE MEASURE 4.4.2
Compliance with ICD-10 requirements by 10-1-15