AHCCCS Update
AHCCCS Update

- AHCCCS Enrollment
- Budget Update
- Health Care Reform Update
- 2012 Goals and Strategies
## AHCCCS Population

<table>
<thead>
<tr>
<th></th>
<th>1-1-2008</th>
<th>1-1-2009</th>
<th>1-1-2010</th>
<th>1-1-2011</th>
<th>1-1-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHCCCS Full XIX</td>
<td>946,797</td>
<td>1,016,991</td>
<td>1,241,486</td>
<td>1,274,476</td>
<td>1,256,343</td>
</tr>
<tr>
<td>KidsCare</td>
<td>63,530</td>
<td>61,201</td>
<td>45,820</td>
<td>22,944</td>
<td>12,839</td>
</tr>
<tr>
<td>FES</td>
<td>76,089</td>
<td>73,697</td>
<td>74,647</td>
<td>44,791</td>
<td>55,824</td>
</tr>
<tr>
<td>Total</td>
<td>1,086,416</td>
<td>1,151,889</td>
<td>1,361,947</td>
<td>1,342,211</td>
<td>1,325,006</td>
</tr>
</tbody>
</table>
Our first care is your health care
arizona health care cost containment system

"Reaching across Arizona to provide comprehensive quality health care for those in need"
Our first care is your health care.

Arizona Health Care Cost Containment System

"Reaching across Arizona to provide comprehensive quality health care for those in need"
Our first care is your health care.

Arizona Health Care Cost Containment System

"Reaching across Arizona to provide comprehensive quality health care for those in need"
Our first care is your health care
arizona health care cost containment system

"Reaching across Arizona to provide comprehensive quality health care for those in need"
AHCCCS Covered Births

Our first care is your health care
arizona health care cost containment system

“Reaching across Arizona to provide comprehensive quality
health care for those in need”
Budget Update
State Economy & Budget Scan

- State Economy and Budget Improving
- Unemployment (8.7%) first time below 9% since February 09
- FY 11 Estimated ending balance at end of 2011 session $(332) million
- Actual FY 11 Ending Balance $3.2 million
- Through November FY 2011 Revenues $177.5 million over forecast (JLBC) – 8.2% growth
- FY 2013 discussion will actually be around surplus
- FY 2014 – One cent temporary sales tax expires – Health care reform requirements begin
AHCCCS Budget Status

- Medicaid in FY 2012 is currently balanced
- Funds need to be moved between agencies
- Risks include ongoing lawsuits
- FY 2013 AHCCCS GF Request – very low
- Growth returns in FY 2014 & 15 with health care reform
- Short term savings (rates–services–benefits) have been maximized
AHCCCS Budget Request Increases (in thousands)
Our first care is your health care
Arizona Health Care Cost Containment System

“Reaching across Arizona to provide comprehensive quality health care for those in need”
Total Revenues (in millions)

Note:
- Revenues are between FY 2006 & FY 2007 levels
- Total revenue amounts include impacts from expiration of Proposition 100 and phase in of existing tax reforms
Baseline Budget Picture

Our first care is your health care
arizona health care cost containment system

“Reaching across Arizona to provide comprehensive quality health care for those in need”
Executive Budget Principles

- Short-term decisions must be evaluated in light of their impact on the State’s long-term fiscal health.
- Funding for a program will not be restored simply because funding has been provided in the past.
- Spending decisions must respect the wishes of citizens who, in voting for Proposition 100, recognized the importance of funding for education, health care and public safety.
- Temporary resources will be used to improve the State’s long-term position.
# Total Spending

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-going Spending</td>
<td>$8,185,547.6</td>
<td>$8,710,238.6</td>
<td>$8,917,418.2</td>
</tr>
<tr>
<td>One-time Spending</td>
<td>$335,439.0</td>
<td>$253,063.1</td>
<td>$5,115.5</td>
</tr>
<tr>
<td>Total Spending</td>
<td>$8,520,986.6</td>
<td>$8,963,301.7</td>
<td>$8,922,533.7</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>2.6%</td>
<td>5.2%</td>
<td>-0.5%</td>
</tr>
</tbody>
</table>

- Spending levels for FY 2012- FY 2014 are between FY 2006 and FY 2007 expenditure levels
- FY 2014 expenditures assume the implementation of federal healthcare reform
The Budget: Summary

FY 2012
Debt Reduction $106.0
SFB Building Renewal $100.0
Midnight Reversion $41.0
IT Phase I $10.0
State Hospital $2.5
AG Tobacco $1.4
Total $260.9

"Reaching across Arizona to provide comprehensive quality health care for those in need"
The Budget: Summary

**FY 2013**

- One-Time: $253.3
- Good Government: $38.9
- Rollover Reduction: $100.0
- Public Safety: $17.5
- Education: $170.6
- Health and Welfare: $77.2
- Natural Resources: $14.4
- Total: $671.9

"Reaching across Arizona to provide comprehensive quality health care for those in need"
Where We End Up

Our first care is your health care
Arizona health care cost containment system

“Reaching across Arizona to provide comprehensive quality health care for those in need”
Executive Budget - AHCCCS

- AHCCCS budget up $32.6 million
- Assumes continued Prop 204 and KC freeze
- JLBC Baseline est. up $43.5 million
- Caseloads – 4% growth – Cap rates – 3% cap (utilization) – JLBC 3% caseload – 0% cap?
- Executive - 3% provider rate increases – select providers
**Provider Rates**

As part of Medicaid Reform, the State has adopted a series of rate cuts for Medicaid providers

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>rate freeze</td>
<td>5% rate cut</td>
<td>5% rate cut</td>
</tr>
<tr>
<td>Physicians</td>
<td>5% rate cut</td>
<td>5% rate cut</td>
<td>5% rate cut</td>
</tr>
<tr>
<td>Ambulance (Emergency Transport)</td>
<td>5% rate cut</td>
<td>5% rate cut</td>
<td>5% rate cut</td>
</tr>
<tr>
<td>Behavioral Health Services</td>
<td>5% rate cut</td>
<td>5% rate cut</td>
<td>5% rate cut</td>
</tr>
<tr>
<td>Nursing Facilities</td>
<td>rate freeze</td>
<td>rate freeze</td>
<td>5% rate cut</td>
</tr>
<tr>
<td>Home Based Services</td>
<td>5% rate cut (+2.5% rate cut due to rebase)</td>
<td>2.5% rate cut</td>
<td>5% rate cut</td>
</tr>
<tr>
<td>Dental</td>
<td>5% rate cut</td>
<td>5% rate cut</td>
<td>5% rate cut</td>
</tr>
<tr>
<td>Ambulatory Surgery Centers</td>
<td>5% rate cut</td>
<td>rate freeze</td>
<td>5% rate cut</td>
</tr>
<tr>
<td>Community Alternative Residential Settings</td>
<td>5% rate cut</td>
<td>2.5% rate cut</td>
<td>5% rate cut</td>
</tr>
</tbody>
</table>

The Executive recommends no further rate cuts
Provider Rates

The Executive recommends a 3 percent rate ($27 million GF) increase for:

- Physicians
- Behavioral Health Service Providers
- Nursing Facilities
- Home Service Providers
- Ambulatory Surgery Centers

Before implementing the increase, AHCCCS must complete a study to ensure the increases are consistent with federal law.

Adjustments exclude 100% FMAP rates for I.H.S and 638’s
Provider Rates ACA

For calendar years 2013 and 2014, AHCCCS is required to reimburse

- Primary care services (as defined in the Act)
- Evaluation & Management codes that are covered by Medicare, and 8 vaccine administration codes
- Furnished by a physician (MD or DO) with a primary specialty designation
  - family medicine
  - general medicine
  - internal medicine
  - pediatric medicine
- At a rate not less than the Medicare rate OR the Medicare rate that would result from applying the 2009 Medicare conversion factor, whichever is greater
- Estimated cost of $135 million to be included if ACA found constitutional
Our first care is your health care
arizona health care cost containment system

“Reaching across Arizona to provide comprehensive quality health care for those in need”
## Impact of PPACA

### General Fund Impacts of PPACA

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Caseload</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AHCCCS</td>
<td>-</td>
<td>77,516,600</td>
<td>297,792,700</td>
</tr>
<tr>
<td>DHS</td>
<td>-</td>
<td>41,490,200</td>
<td>108,235,900</td>
</tr>
<tr>
<td><strong>Total Caseload Costs</strong></td>
<td>119,006,800</td>
<td>406,028,600</td>
<td></td>
</tr>
<tr>
<td>Primary Care Physicians</td>
<td>6,316,500</td>
<td>13,896,300</td>
<td>14,610,500</td>
</tr>
<tr>
<td>AHCCCS/DES IT Modifications</td>
<td>2,500,000</td>
<td>1,500,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>8,816,500</td>
<td>134,403,100</td>
<td>420,639,100</td>
</tr>
</tbody>
</table>

### PPACA Federal Match

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Caseload</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AHCCCS</td>
<td>-</td>
<td>587,980,700</td>
<td>1,856,909,400</td>
</tr>
<tr>
<td>DHS</td>
<td>-</td>
<td>335,923,000</td>
<td>830,137,600</td>
</tr>
<tr>
<td><strong>Total Caseload Match</strong></td>
<td>923,903,700</td>
<td>2,687,047,000</td>
<td></td>
</tr>
<tr>
<td>Primary Care Physicians</td>
<td>61,225,200</td>
<td>134,695,400</td>
<td>148,164,900</td>
</tr>
<tr>
<td>AHCCCS/DES IT Modifications</td>
<td>12,500,000</td>
<td>8,500,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>73,841,100</td>
<td>1,067,099,100</td>
<td>2,835,211,900</td>
</tr>
</tbody>
</table>
2011 Challenges and Results
FY 2011 Challenges and Results

- **Budget – Budget – Budget**
  - 21.7% cut – largest in US – next biggest 9.5% -
  - Implemented population freeze instead of terminations
  - Worked to preserve core coverage and infrastructure

- **Health Care Reform** – Significant infrastructure progress – established internal staff – gap anal

- **Integration & alignment** – Timeline and collaboration on Maricopa RBHA and CRS

- **Native American Issues** – 13 consultations – waiver progress – State Plan reimbursement development
FY 2011 Challenges and Results

- **Sunset Audit – 2011 & 2012** – limited findings by auditors in TPL & eligibility beginning IG review
- **Waiver Renewal – Oct 2011** - Implemented
- **System Issues - 5010- ICD 10** – 5010 on track
- **Ongoing Legal Battles** – continued defense of State
- **Workforce** – trainings – turnover stable but ongoing concern
- **Stakeholder Relations** – challenged but much more active
- **RFPs – ALTCS** – no successful protests >8,000 members transitioned
Health Care Reform Update

- Exchange
  - State awarded $29 m for Exchange Establishment Grant for next year – includes funding for continued tribal consultation and planning
  - State moving forward with IT planning and Qualified Health Plan Development
    - Developing Health E AZ as part of infrastructure
    - Significant RFP for Exchange Functions – Feb 2012
  - Governor’s Office, AHCCCS, DOI, DES, DHS all sit on Steering Committee
  - Seeking Care Coordination between Medicaid - Exchange
  - Still awaiting considerable Fed Guidance – one of 10 states selected by CMS for FMAP pilot
2012 Goals and Strategies
2012 Goals and Strategies

Goal 1 – pursue and implement long term strategies that bend the cost curve while improving the delivery and coordination of care

1. Align and integrate model for SMI, CRS and dual eligible members
2. Maintain actuarially sound cap rates
3. Maintain and update annual Program Integrity Plan
4. Develop new payment reform opportunities
2012 Goals and Strategies

Goal 1 – pursue and implement long term strategies that bend the cost curve while improving the delivery and coordination of care

5. Pursue Care Coordination opportunities
   1. Medicaid – Exchange Coordination
   2. Acute Plan – RBHA encounter sharing
   3. Enhanced RBHA Care Coordination requirements
   4. DFSM Enhanced Care Coordination and discharge planning – Tribal members
2012 Goals and Strategies

Goal 2 – pursue continuous quality improvement

1. Track results and continue to hold plans accountable for performance –

2. Improvement through PIP – Pursue improvement opportunities around reduced potentially preventable readmissions

3. Maximize opportunities with HIT – Medicaid Incentive Payments – Meaningful Use – HINAZ tool
2012 Goals and Strategies

Goal 3 – Maintain, leverage and further develop the healthcare service delivery model that emphasizes competition and market forces

1. Retain strong network of providers and ensure access to care for members
2. Maintain competition among contracted plans
3. Waiver authority for SNCP and I.H.S and 638 flexibility
4. Develop appropriate eligibility infrastructure for October 1, 2013
5. Maintain RFP process that promotes competition and fairness
2012 Goals and Strategies

Goal 4 – Maintain core organizational capacity and workforce planning that effectively serves AHCCCS operations

1. Promote electronic processes for members, providers and staff
2. Manage stakeholder relationships
3. Manage workforce environment promoting training, advancement and knowledge retention
4. Ensure system security and IT infrastructure
AHCCCS Program Integrity

- Agency hired new Inspector General
- Even with 30% reduction in agency staff, resources dedicated to program integrity have increased
- Implemented Data analytics system
- Began match with Pima county jail system
- Centralized IG resources on WEB
- Implemented MVD picture ID on web verification (December)
- Saw increase of 6% in avoidance/recoveries
- Continued enhanced plan reporting
- Supported investigation for 19 successful prosecutions
PI Goals for 2012

- Conduct evaluation of MCO Program Integrity efforts
- Assist Auditor General with evaluation/CMS Audit
- Continue to pursue opportunities for member compliance – Maricopa County
- Leverage external resources to evaluate data analytic capabilities
- Implement new ACA provider registration requirements
- Finalize RAS Scope of work - Determine RAC next steps – Participate in PERM
AHCCCS Program Integrity
(Avoidance and Recoveries in millions)

Our first care is your health care
arizona health care cost containment system

“Reaching across Arizona to provide comprehensive quality health care for those in need”
Questions???