



STATE OF ARIZONA  
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY  
GOVERNOR

EXECUTIVE OFFICE

September 30, 2015

Secretary Sylvia Mathews Burwell  
U.S. Department of Health & Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

Re: Arizona's Section 1115 Waiver

Dear Secretary Burwell:

On behalf of over 1.8 million Arizonans, I submit this formal request to apply for a new Section 1115 Research and Demonstration Waiver (the "Waiver") that will build upon past successes of the Arizona Health Care Cost Containment System (AHCCCS) and employ new strategies for member engagement. This new Waiver application covers the period of October 1, 2016 through September 30, 2021.

The State's proposal reflects the changing face of Medicaid. Traditionally, Medicaid was designed to serve children, pregnant women, the elderly and individuals with disabilities. Today, Medicaid in Arizona serves nearly as many adults as it does Arizonans enrolled in the traditional eligibility categories. Though we have developed strategies around member engagement, wellness, disease management, supported employment and housing and other opportunities for traditional eligibility categories, the same cannot be said for adults. Accordingly, new strategies must be deployed to engage the adult membership.

I know this is a goal you share. Recently, you launched the "Healthy Self" initiative to engage adults in taking a more active role in their own health and wellness. The Healthy Self initiative addresses the concern that, for a variety of reasons, adults often bypass their checkups and screenings and miss opportunities to take better control of their own health. The goal to "promote a better, smarter and healthier health care system with engaged, educated and empowered people at the center of it" is one that Arizona shares.<sup>1</sup> This shared goal of an engaged, educated and empowered citizenry is at the heart of Arizona's new Waiver.

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<sup>1</sup> See <http://www.hhs.gov/blog/2015/06/11/invest-your-healthy-self.html> last accessed September 24, 2015.

The AHCCCS CARE program is designed to reach that adult population<sup>2</sup>, provide them with tools to better manage their health and prepare them for the transition out of Medicaid. AHCCCS CARE is a fresh take on conventional approaches.

### 1. Giving Meaning to Personal Responsibility.

- *Strategic Copays.* This new look at copayments is designed to direct care to the right setting at the right time. Copayments will not be collected at the point of service, but instead will be billed retrospectively.
  - No Copay. Accordingly, members who access care through their primary care physician (PCP) are not assessed a copayment, whether visiting the doctor for a well check or sick care. The purpose is to emphasize that there is an open door to a member's PCP no matter what the need. Similarly, because the OB-GYN serves as a PCP for many women, there is no copay assessed for those visits. We also want it to be clear that there is no copay for behavioral health services. Behavioral health providers are a critical part of a member's care team. We want to ensure that same open door approach for behavioral health as we have established for physical health. Additionally, if a member needs specialty care, there is no copay as long as a PCP provides a referral, emphasizing the medical home model. Finally, there is no copayment for prescriptions (with two exceptions below) to ensure members have the tools they need to manage chronic disease.
  - Copays Required. Copays for prescriptions only apply to access opioids (unless you have cancer or a terminal illness) and brand name drugs where a generic is available (unless a physician determines the generic is not efficacious). The copay on brand name drugs includes brand name biologics when a biosimilar is available. We recognize that opioid use is sometimes necessary for pain management, but we must take action against opioid abuse that has become a leading public health concern and often results in abuse of illicit drugs. Arizona was pleased to attend your recent 50-state summit to discuss strategies to address this epidemic. We agree that this epidemic is multifaceted and support your efforts. Requiring a copay for opioids is one of Arizona's strategies. Copayments will also be assessed for non-emergency use of the emergency department, missed appointments and specialist care without a PCP referral. Certainly, members cannot always make an appointment, but taking the step to call and cancel obviates the need to pay the copayment.
- *Putting Premiums to Work.* The Arizona Legislature passed a bill to require premiums for the adult population not to exceed 2% of annual household income (SB 1475). I support that measure of personal responsibility and, in my AHCCCS CARE program, added an opportunity to allow members to use their premium dollars for non-covered services like dental and vision care. This way we combine personal responsibility with purpose. To make sure the premium component is not overly burdensome, the AHCCCS CARE

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<sup>2</sup> The New Adult Group would be required to enroll in the AHCCCS CARE program. The New Adult Group in Arizona includes the Prop. 204 eligible childless adults 0-100% of the federal poverty level (FPL) and the expansion adults 100-133% FPL. The AHCCCS CARE program is optional for the TANF parent population, American Indians in the New Adult Group, and adult members that have a serious mental illness. In addition, adults considered medically frail (to be defined) could be excluded from AHCCCS CARE participation until they are able.

program has a ceiling, so members will either pay 2% of their annual household income or \$25 per month, whichever is lesser.

2. **The AHCCCS CARE Account.** Members will receive a quarterly invoice that shows how much they owe for copayments and premiums. Members make monthly payments into their AHCCCS CARE account. Copayments are used to offset program costs. Premium payments are monies that can be withdrawn by members for non-covered services. As long as members are timely with their payments, meet one Healthy Arizona target, and participate in AHCCCS works, they can withdraw funds from their AHCCCS CARE account. The AHCCCS CARE program also offers a new opportunity to engage the business sector. Many employers rely on Medicaid as the source of their employees' health insurance. The AHCCCS CARE account provides those employers with an opportunity to more directly invest in the health of their workforce. Arizona is committed to encouraging business contributions into their employees' AHCCCS CARE accounts. Supporting a healthy workforce requires these types of partnerships. In addition, the AHCCCS CARE account is portable. When AHCCCS members move on from AHCCCS, they can take their AHCCCS CARE account with them.
3. **Healthy Arizona.** Healthy Arizona is simple. The primary goal is to educate members about proactive measures they can take to stay healthy. Meeting the Healthy Arizona target can be as simple as getting your flu shot or mammogram. But we want to also set higher goals and engage employers and the philanthropic community to partner with the State. We all share similar goals to achieve a healthier citizenry. For members who meet tobacco cessation goals, for instance, we want to create opportunities for additional support to be provided into members' AHCCCS CARE accounts by charitable organizations who share that goal.
4. **AHCCCS Works.** The Arizona Legislature passed legislation (SB 1092) to condition Medicaid eligibility upon acquiring work. I supported their legislation because I believe in promoting work and support a national dialogue around how to better engage Medicaid members in work opportunities. The AHCCCS Works program taps into the spirit of SB 1092 by taking that first step – connecting Medicaid members to work opportunities. Participation in AHCCCS Works is not a condition of Medicaid eligibility, nor is there a requirement that the member actually find employment. Rather, participating in AHCCCS Works is a connection to employment supports. It can be as simple as signing up for job seekers assistance through the Arizona Department of Economic Security (DES), attending a job fair, or taking a class. We have a robust program at DES with a dedicated staff that is committed to helping Arizonans find work. All that AHCCCS Works does is extend that opportunity to a ready group – adult members on AHCCCS.

The AHCCCS CARE goal is simple: partnering with the private sector to educate Arizonans about ways to manage their health, take advantage of preventive services, build up a savings account that they can use to reinvest in their own health and connect people to employment. These strategies will also benefit members once they move on from Medicaid enrollment where they will have to manage premiums and copayments in the Marketplace or through their employer's insurance. A member who is better prepared for this transition is more likely to maintain their commercial coverage.

Arizona's Waiver is the right home for AHCCCS CARE. As you know, the AHCCCS program has operated under the flexibility of the Waiver since its inception in 1982. Through that flexibility, Arizona

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has built a program that mainstreams its members, allowing individuals the choice to seek their health care from private providers and sit alongside commercially insured Arizonans, rather than being directed to government-operated Medicaid mills. Arizona's Waiver has also served as the foundation for a competitive bidding process among health plans, drawing top quality and driving down costs. Perhaps more importantly, Arizona's Waiver has allowed the program to evolve over time.

While there are still those who maintain an antiquated view of what Medicaid managed care is, today's AHCCCS has grown well beyond simply paying claims and managing prior authorizations. Today's Medicaid managed care program in Arizona: uses sophisticated data analytics tools for assessing risk and developing care management protocols; promotes value based purchasing arrangements that drive quality over quantity; manages oversight of health plans in a manner that is data informed, not needlessly bureaucratic; collaborates with the broader community, extending beyond health care to support population health; and continually seeks opportunities to streamline and integrate the health care system making access to care easier for members. All of these types of initiatives and more are made possible through Arizona's Waiver, which is a living document.

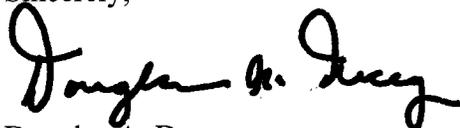
The fact that Arizona's Waiver is an evolving document is critical. Health care is changing at a rate that far outpaces government's ability to keep up through statutes and regulations. The Waiver affords a tool through which states can more nimbly support innovations like AHCCCS CARE to better serve members and their families and allow decision-making at the local level.

The AHCCCS CARE program is only one component of this new Waiver generation. This application includes: proposals for system reform through the Delivery System Reform Incentive Payment (DSRIP) program; uncompensated care payments for Indian Health Services and tribally operated 638 facilities; supporting a medical home model that includes traditional healing practices for our American Indian/Alaska Native members; transition to the new Home and Community Based Services settings standards; phasing out of the Safety Net Care Pool to smarter and more sustainable models that support Phoenix Children's Hospital; and changes that reflect recent transitions within Arizona's Medicaid system. All of these are explained in more detail in the attached document.

I am committed to working with you on achieving approval of this proposal. I believe this plan demonstrates the State's commitment to the AHCCCS program so that it continues to serve as a national model of cost-effective, quality care for the State's most vulnerable and continues as a leading example of a successful state-federal partnership. My team stands at the ready to provide you and your staff with whatever additional information you need so that we can have an approved package by October 1, 2016.

Thank you for your consideration and your service to the nation.

Sincerely,



Douglas A. Ducey  
Governor  
State of Arizona