AHCCCS Update
“Reaching across Arizona to provide comprehensive quality health care for those in need”
Policy Options

<table>
<thead>
<tr>
<th>Options</th>
<th>Lives covered</th>
<th>GF Impact (FY 14-16)</th>
<th>Federal $ available</th>
<th>Prop 204 Vote Honored</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor’s Proposal</td>
<td>300,000</td>
<td>$(100) m savings</td>
<td>$4.1 billion</td>
<td>Yes</td>
</tr>
<tr>
<td>Continued Freeze (assume state only)</td>
<td>63,000 and shrinking</td>
<td>$850 m plus cost</td>
<td>$0</td>
<td>No</td>
</tr>
<tr>
<td>Terminate Coverage 1-1-14</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>No</td>
</tr>
</tbody>
</table>

30 Years of Medicaid Innovation
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”
Final Legislation

- Authorizes Prop 204 Restoration and Expansion
- Provides AHCCCS Director with ability to levy an assessment against hospitals – includes ability to exempt
- Includes circuit breakers Governor had requested in case federal funding is reduced
- Restores Well-exams
Budget and Legislation

- Assumes 3% capitation rate for AHCCCS
- Assumes 3% provider rate increase for BH (10-1) and DD providers 7-1-13
- Increases ambulance rates beginning 10-1-14
- Repeals HCG 1-1-14 – stops enrollment 8-1-13
- Increases cost sharing above federal limits
- Did not provide for general rate increases
- AHCCCS continued for 10 years
- Legislature authorized APR-DRG 10-1-14
AHCCCS Reports

- 12/1/13 - Non-emergency use of the ED
- 12/31/13 – Air Ambulance – 5 year history and consistency with rules
- 1/1/14 – Hospital Transparency – Charge-master Report – recommendations
- 10/1/13 - Hospital Uncompensated Costs – change in uncomp costs and profitability
- 8/1/14 – Hospital Assessment paid – coverage
- 10/1/14 – Legislative circuit breaker and outcomes study committee – impact of decreased federal funds
Hospital Assessment Workgroup

- AHCCCS working with Navigant
- Projected need of $75 m in FY 2014 - $255 m FY 15
- Established hospital workgroup
- Major decisions include –
  - Rate basis – Time period for rates – payment timing – transparency reporting - exemptions
- Working to establish model that minimizes systems negatively impacted
- Proposed Model can be found on AHCCCS website
- Taking comments until September 4 – To CMS mid-Sept.
- Final Rule out in November with 30 day comment
Phase II

☐ Lawsuits

- Referral – Constitution exempts laws necessary for the support and maintenance of the departments of the state government”

- Prop 108 – does not apply to “fees and assessments that are authorized by statute, but are not prescribed by formula, amount or limit, and are set by a state officer or agency.”
Medicaid and ACA Populations

Percentage of costs paid by federal government

100-133% FPL Estimated
57,000 to enroll

*Currently frozen

"Reaching across Arizona to provide comprehensive quality health care for those in need"
AHCCCS Childless Adult Population

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“Reaching across Arizona to provide comprehensive quality health care for those in need”
AHCCCS Adult Expansion

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Health E Arizona Plus

- On schedule to bring up on 10-1-13
- Considerable challenges remain
  - Lack of live testing to federal marketplace
  - CMS just finalized regulations
  - Efforts to consolidate Medicaid call center support
  - Training materials for staff and public
  - Size – Scope – Timeframe – issues unknown
Regardless of ACA Decisions-

Unsustainable System

- Institute of Medicine - $750 Billion in “Waste”
  - $210 B Unnecessary Procedures
  - $130 B Inefficient Care
  - $190 B Excess Admin
  - $105 B Inflated Prices
  - $55 B Prevention Failures
  - $75 B Fraud

- IOM Solutions – Science and Informatics – Engage and Empower Patients – Align Incentives – Transparency – Culture of Leadership and Learning
Percent of Gross Domestic Product
Source: Congressional Budget Office, The Long-Term Budget Outlook, June 2010, revised August 2010

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What’s Wrong With This Picture?

Healthcare Costs by Age

U.S. Healthcare System

System – an assemblage or combination of things or parts forming a complex or unitary whole

- Care delivery has become increasingly fragmented, leading to coordination and communication challenges for patients and clinicians.
- Improved patient engagement is associated with better patient experience, health, and quality of life and better economic outcomes, yet patient and family participation in care remains limited.
- The prevailing approach to paying for health care, based predominantly on individual services and products, encourages wasteful and ineffective care.
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<th>Reaching Across Arizona to Provide Comprehensive, Quality Health Care for Those in Need</th>
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<tr>
<td><strong>Bend the cost curve while improving the member’s health outcomes</strong></td>
</tr>
<tr>
<td>Commit Executive level resources to substantive payment modernization</td>
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<tr>
<td>Implement shared savings requirements for ALTCS and Acute Care Contractors</td>
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<tr>
<td>Modernize hospital payments to better align incentives, increase efficiency and improve quality of care</td>
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<tr>
<td>Establish Payment Modernization stakeholder input opportunities</td>
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<tr>
<td>Achieve Program Integrity Plan goals</td>
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Payment Modernization Progression

AHCCCS is pursuing various strategies to move program along continuum

- Fee-for-Service
- Performance-based Programs
- Primary Care Incentives
- Performance-Based Contracts (PBC)
- Bundled/Episode Payments
- Shared Risk
- Shared Savings
- Capitation + PBC

Level of Financial Risk

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## Payment Modernization

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<th>Transparency</th>
<th>Align Incentives/Value Based Purchasing</th>
<th>Learning Culture</th>
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"Reaching across Arizona to provide comprehensive quality health care for those in need"
AHCCCS 10-1-13 Transitions

- Roughly 165,000 members switching plans
- Every county impacted except Maricopa
- Letters start going out to members in July
- Plans will be transitioning relevant data to receiving plans for care management
- AHCCCS currently conducting readiness reviews on HealthNet and MCOs in new GSAs
- CRS - AHCCCS working closely with United on new integrated plan – public forums – readiness etc.
Maricopa Integration for Members with Serious Mental Illness

Single MCO

- Medicaid Behavioral Health
- Medicaid Physical Health
- Medicare D-SNP
- Housing & Employment

"Reaching across Arizona to provide comprehensive quality health care for those in need"
Maricopa RBHA Transition

- March – Mercy Maricopa Integrated Care awarded Maricopa RBHA contract
- Magellan continues to protest award to MMIC
- 5-21 Stay issued by ADOA on transition related activity
- September hearing date set for OAH
- DHS has stated that given the stay and this timeframe October 1st is not achievable
- AHCCCS working with DHS on Plan B – current structure – updating contracts/cap rates
- Stay Tuned – Starting conversation for Greater AZ 10-1-15
AHCCCS Staffing Levels

Employees

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