



# Arizona Health Care Cost Containment System

# Quarterly Report

April 1st - June 30th, 2001

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## Executive Summary

This Quarterly Report covers the period from April 1, 2001 through June 30, 2001. This quarter's activities centered on providing services to more than 40,000 new Title XIX members. Many of these members were previously in a SOBRA group and shifted over to the 1931 Expanded Group.

The Medicaid in the Public Schools program continues to grow as more public and charter schools register as providers. As of the end of the quarter, more than 750 school-based providers had been registered.

In May, the Office of Managed Care (OMC) Member Fraud Unit was moved to the Office of Policy Integrity (OPI) in the Office of the Director. This move is expected to create a more seamless approach to investigating fraud and a more efficient use of resources through cross training and coordination of case investigations.

Long Term Care contracts outside of Maricopa County were awarded. All current Program Contractors were awarded contracts, however the awards will result in ALTCS members in three counties changing to new Program Contractors.

## AHCCCS Population

On July 1, 2001, the AHCCCS Title XIX population totaled 559,318 individuals. This included 517,324 individuals receiving acute care services and 31,994 members receiving ALTCS services.

In the past quarter, AHCCCS has seen a growth in the Title XIX program of 42,130. The largest increase, 57,996, has been in the 1931 category. In this quarter there was another huge growth in the 1931 AHCCCS for Families and Children because of the shifting populations from SOBRA Child, of approximately 29,929 to 1931 Expanded Group plus a shift of another 1,450 former SOBRA Pregnant Women to 1931-Expanded.

As a result of the shift of SOBRA children to 1931 Expanded, the SOBRA children experienced a further decrease of 21% this quarter, to a total of 112,945.

## AHCCCS Awards

### National Health Care Purchasers Award

The National Health Care Purchasing Institute honored AHCCCS with the National Health Care Purchasers Award for Public Sector Purchasers for awarding three contracts for long term care in Maricopa County. Prior to these contracts, only Maricopa Long Term Care Plan had a contract to deliver services to the more than 10,000 elderly or physically disabled ALTCS members in the

county. The project required AHCCCS to commit tremendous resources to ensure the two new contractors were ready to serve the consumers. It also required a significant commitment by AHCCCS and all three contractors to ensure that the approximately 1,000 consumers who choose to change contractors had a seamless transition.

## **Tucson IHS Honors Native American Coordinator**

Julia Ysaguirre, AHCCCS Native American Coordinator, was honored by the Tucson Indian Health Services (IHS) for providing excellent customer service. Julia attends IHS meetings, troubleshoots, and provides information and outreach coordination for a variety of AHCCCS programs.

## **New Developments**

### **Proposition 204/Waiver ISD Project**

#### **Overview**

The purpose of this project is to create a method for which to capture and track the new categories of eligibility related to the passage of Proposition 204 and the approval of the AHCCCS Waiver to obtain federal approval to receive federal financial participation for the non-categorical AHCCCS population.

Twenty-nine eligibility key codes were created for this project. Over 300 rate codes and 27 risk pools were also created.

The use of the new key codes will be done in phases, beginning with the conversion of certain populations from their current key code into one of the new key codes.

#### **Status**

As of April 1, 2001 the following recipients were converted from categories which limited services into new Proposition 204/Waiver categories (for full service):

- 7,541 QMB Only
- 19,128 Medically Needy/Medically Indigent

### **RxAmerica Implements Drug Formulary**

Effective May 1, RxAmerica has implemented a clinically based, comprehensive, cost-efficient drug formulary for AHCCCS fee-for-service recipients. The formulary applies exclusively to fee-for-service recipients. In selecting medications for the formulary, the RxAmerica Pharmacy and Therapeutics Advisory Panel, working in cooperation with AHCCCS, considered many factors including efficacy, safety, cost effectiveness and bioequivalency data. RxAmerica's Pharmacy and Therapeutics Advisory Panel is composed of physicians and pharmacists representing various medical specialties from across the nation.

A select set of medications was chosen for the drug formulary that would continue to provide the highest quality of care for AHCCCS fee-for-service members and at the same time incorporate cost-efficient measures to contain the increasing cost of medical care.

## **ALTCS Triage - Applications screened for Eligibility**

Many ALTCS offices have instituted a form of triage when it comes to taking client applications, and while it is not quite the same as a M\*A\*S\*H\*, the basic principle of triage is the same: examine the incoming and separate the cases by priority. In field offices, triage workers screen potential applicants before they get too far into the system to make sure they are applying for the best program for their needs. The Phoenix South Office started its triage team with two positions: primary and back-up. Each position has a six-month "tour of duty". Outreach is also a part of the job and each worker does triage in addition to a regular caseload. The triage team has reduced application time not only for those applying, but for the eligibility interviewers and support staff.

## **Updates**

### **Encounter Validation Study**

The Contract Year 1997/1998 Encounter Data Validation Study is in progress. Long Term Care preliminary results were released to contractors and feedback has been received. Long Term Care final results indicate that all contractors were below the HCFA standard and the 5% allowable error rate. It is expected that by next quarter the preliminary results for Acute and Behavioral will be released to contractors for feedback.

### **Medicaid in the Public Schools-Provider Registration**

In addition to its routine workload, the Provider Registration Unit continued to work with public and charter schools to register providers for the new Medicaid in the Public Schools (MIPS) program. At the end of the quarter, more than 750 school-based providers representing 71 public school districts and charter schools had been registered. Another 115 applications from the Tucson Unified School District, the state's largest, were pending. Provider Registration staff made extra efforts to assist the schools in registering their providers so the schools could participate in this important program.

### **Reorganization of the Office of Program Integrity**

In May, the Member Fraud Unit located in the Office of Managed Care (OMC) was moved to the Office of Program Integrity (OPI) in the Office of the Director. The purpose of the move was to consolidate provider and member fraud investigations. This realignment and consolidation is expected to create a more seamless approach to investigating fraud, and more efficient use of resources through cross-training and coordination of case investigations. With the member

fraud unit's seven staff, and the addition of a new investigations supervisor, OPI total staff size has increased to 19 positions.

## **End Stage Renal Disease (ESRD) Audit**

In June, OPI completed an audit of End Stage Renal Disease (ESRD) services provided by the AHCCCS program. Examining ESRD claims for the period January 1996 through June 1999, the audit found that the AHCCCS Fee-For-Service (FFS) program and health plans had overpaid ESRD providers over \$3.2 million. Most of the overpayments (nearly \$2.9 million) were made by the FFS program. ESRD providers were improperly paid for laboratory tests that were included in the composite rate, for services that exceeded authorized amounts and frequency limits, and for laboratory tests performed without CLIA certification. The AHCCCS FFS program has been working to improve claims edits, and overpayments are being recovered through administrative recoupments and enforcement actions. In addition, health plans will be encouraged to research ESRD overpayments and recover misspent funds.

## **AHCCCS Customer Eligibility (ACE) System**

During this past quarter we focused on the build and conversion phases. In the build phase we completed the following functions: Security On-line Maintenance, Common Functions, Relationship, Medical Eligibility Determination, Medical Data Collection, Income, Work Management, CSRA Data Collection, Ventilator Dependent Worksheet, and Demographics, and made significant progress on the other functions. The conversion mapping document has been completed and the conversion programs for Person, Medicare/TPL and Living Arrangement of LEDS/CATS have been coded and tested.

## **Hawaii/Arizona PMMIS Alliance (HAPA) Project**

In May 2001, Hawaii implemented the bi-monthly May release, which brought the Arizona and Hawaii systems into sync for the first time since go-live. This successful implementation resulted in more than 700 components being moved to production for Hawaii. Beginning in October, releases will be quarterly, allowing additional time for User Acceptance Testing and Regression Testing.

Another significant accomplishment was the successful annual enrollment and contract year end processes for Hawaii. Hawaii's contract year ended June 30, 2001, and both the annual enrollment process and year end contract processes were successfully executed in the Hawaii PMMIS.

Provider and encounter processing continues in production for Hawaii, and planning has begun for implementation of claims processing for Hawaii.

The APD for Hawaii's claims design, development, and implementation was approved.

# Acute Care Program

## Acute Operational and Financial Reviews

Operational and Financial Reviews of acute care contractors continued during this quarter. During the quarter, the Office of Managed Care, in conjunction with the Office of Medical Management, conducted reviews at Maricopa Health Plan and University Family Care. Corrective action plans for Mercy Care Plan and Health Choice Arizona were submitted by these health plans in response to Operational and Financial Reviews that took place during the previous quarter. Reviews of the remaining health plans are scheduled to be conducted throughout 2001.

## Prior Period Coverage (PPC) Reconciliation

Under a provision of the Acute Care Contract, AHCCCS offers a reconciliation process for health plans with total PPC cost experience that is more than the break even reimbursement associated with PPC. AHCCCS will reimburse 100% of a contractor's excess reasonable costs and will recoup profits in excess of costs. AHCCCS completed the initial PPC reconciliation for CYE 2000 in May 2001. The net amount of the reconciliation was a payout to the health plans of \$6,639,251. Distributions were made in June 2001. A final reconciliation for CYE 2000 will be completed in November 2001. The reconciliation is done in two stages to ensure full encounter data reporting.

## Rate Adjustments

Proposition 204, passed by Arizona voters in November 2000, increased the AHCCCS eligibility income limits for full acute care medical coverage to 100% of the Federal Poverty Limit (FPL). The first phase of Proposition 204 implementation included the transfer of QMB-onlys to QMB-duals on April 1, 2001. As a result, the SSI with Medicare capitation rate was increased 8.3% due to pent up demand in the QMB-only population. Also, April 1, 2001, the state funded only Medically Needy/ Medically Indigent (MN/MI program) was funded with Title XIX funds. The MN/MI capitation rate was increased 1.6% due to the quick pay discount reduction that resulted from converting this population to a Title XIX population.

## Phoenix Health Plan Purchased

On May 1, 2001, Vanguard Health Systems purchased Phoenix Health Plan's parent company, Phoenix Memorial Health Systems and as a result, Phoenix Health Plan. This was an outcome of Phoenix Health Plan's parent company, Phoenix Memorial Health Systems, filing Chapter 11 bankruptcy. There were no changes to the contract with Phoenix Health Plan as a result of the purchase.

## Non-clinical Performance Measures

The Office of Managed Care began work on establishing baselines for non-clinical performance measures. Preliminary results were developed for measures that assess provider turnover, the



percentage of providers who are board certified, and the accessibility of the system for members who speak a foreign language. Additional testing will be performed in the next quarter to assess the accuracy and value of the measures.

## **ALTCS Program**

### **ALTCS Competitive Bid (Excluding Maricopa County)**

Contracts for the ALTCS Elderly and Physically Disabled populations were awarded May 2001 for all counties throughout the state except Maricopa County. Maricopa County was competitively bid last year. All current Program Contractors were awarded contracts. However, the awards will result in three counties changing to a new Program Contractor on October 1, 2001. The three counties (Gila, Greenlee and Santa Cruz) changing are currently managed by Lifemark Health Plans. Lifemark Health Plans will continue to provide services in six rural and one urban county. The Administration was considering the award of two contracts in Pima County, however, the decision was made to award only one contract at this time.

The contract awards are as follows:

- ◆ Cochise Health Systems (Cochise, Graham and Greenlee)
- ◆ Lifemark Health Plans (Apache, Coconino, La Paz, Mohave, Navajo and Yuma)
- ◆ Pima Health System (Pima and Santa Cruz)
- ◆ Pinal County Long Term Care (Gila and Pinal)
- ◆ Yavapai County Long Term Care (Yavapai)

### **ALTCS Operational and Financial Reviews**

During this quarter AHCCCS continued CYE 2001 Operational and Financial Reviews of the three EPD Program Contractors in Maricopa County. These reviews, conducted by the Office of Managed Care and the Office of Medical Management, are limited reviews, focusing on new contractual requirements and areas that AHCCCS has deemed to be high priority, such as member rights. Lifemark Health Plans was reviewed during this quarter. The program contractor demonstrated a high level of compliance during the review.

## **Behavioral Health**

### **JK Lawsuit Settlement Now Official**

In June, Judge Roll granted final approval to the proposed JK settlement agreement. The term of the agreement is until 2007. Annual plans, to phase in achievement of all aspects of the required activities, are required under the settlement. The obligations of AHCCCS under this settlement agreement center on the delivery of services to children and families according to a set of principles. The principles are aimed at providing timely, accessible, culturally appropriate

services which are designed to aid children to achieve success in school, live with their families, avoid delinquency, and become stable and productive adults.

## **ADHS/DBHS Contract Amendment**

The AHCCCS and ADHS/DBHS contract renewal amendment for behavioral health services was finalized and delivered to ADHS for signature in June. This represents a change in that the previous contract cycle was October 1-September 30. This change aligns the AHCCCS contract cycle with the ADHS-RBHA contracts and will facilitate amendment and maintenance.

The amendment includes new requirements to fulfill obligations in the JK Settlement Agreement, as well as changes required to implement Proposition 204. AHCCCS will prepare an amendment prior to October 1 to address administrative and programmatic changes resulting from the ADHS/DBHS Covered Services Workgroup.

## **Covered Services Workgroup**

AHCCCS participated in the multi-agency Covered Services Workgroup, with ADHS/DBHS and stakeholders, to review and expand the array of covered behavioral health services and providers. Workgroup goals included: developing person/family centered service delivery models, increasing provider flexibility to meet individual needs, recognizing support services provided by non-licensed individuals and agencies, dispelling myths and removing service barriers, and maximizing the use of Title XIX/XXI funding. Changes in provider types and services codes will become effective on October 3, 2001.

ADHS/DBHS will commence provider training sessions on a statewide basis in July and August.