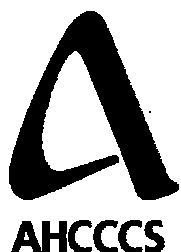


Arizona Health Care Cost System

QUARTERLY REPORT

JANUARY 1, 2003 THROUGH MARCH 31, 2003



**PHYLLIS BIEDESS, DIRECTOR
SUBMITTED MAY 2003**

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EXECUTIVE SUMMARY

This Quarterly Report covers the period from January 1, 2003 through March 31, 2003. Several notable events occurred during the quarter.

The Title XIX population experienced an increase of 33,163 members.

AHCCCS implemented two new healthcare programs: Freedom to Work and HIFA II.

Cigna Community Choice health plan has decided not to submit a bid proposal for the upcoming contract. Efforts are underway to absorb consequences resulting from the loss of this health plan.

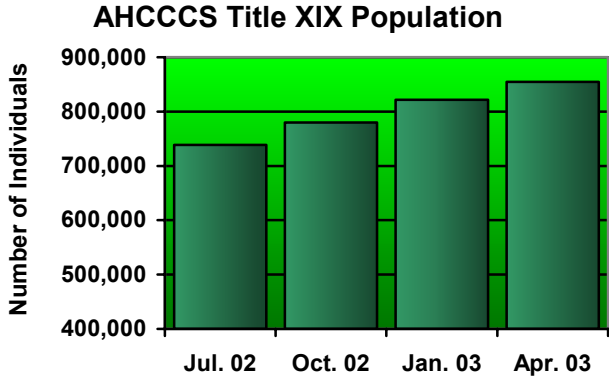
Newly elect Governor, Janet Napolitano, requested a new solicitation proposal for a Pharmacy Senior Prescription Benefit Care program for Medicare eligible seniors.

The use of the new WEB-Based verification application continues to attract new users. Since November 2002, an additional 806 providers have opened a no-cost account and 45,616 verifications were preformed.

AHCCCS continued to work diligently to ensure HIPAA compliance by the required April deadline.

The new Acute Care Request for Proposal (RFP) was issued and bids were received at the end of March 2003.

AHCCCS POPULATION



On April 1, 2003, the AHCCCS Title XIX population totaled 854,911 members. This represents an increase of approximately 3.9 percent over last quarter's enrollment figures. This figure includes 818,000 individuals receiving Acute Care services and 36,911 members receiving Arizona Long Term Care System (ALTCS) services.

The total enrollment figure is comprised of the following Medicaid categories: 1931, SSI, SOBRA, HIFA I's and II's, Freedom to Work, ALTCS, Qualified Medicare Beneficiaries, Transitional Medical Assistance, Emergency Services and the Breast and Cervical Cancer Program. Also, included are 111,553 Native American members.

NEW DEVELOPMENTS

New Programs

Freedom to Work (FTW)

The FTW program for qualified disabled individuals who want to return to the workplace and retain AHCCCS benefits began this quarter. This program allows more disabled Arizonans to work and to lead productive lives. A part of the national Ticket to Work and Work Incentives Improvement Act of 1999, AHCCCS began last fall to implement the program.

In the first year, 700 people are expected to enroll under two eligibility coverage groups. The basic coverage group is for disabled individuals between ages 16 - 64, with earned income up to 250 percent of the FPL.

The Medical Improvement Group are those individuals who are no longer eligible for the basic group because of medical improvement but whose condition, nonetheless, is severe.

Individuals whose countable income is between \$500 and \$750 will pay a monthly premium of \$10 and there is a \$5 premium increase for every \$250 of countable income above \$750.

As of April 1, 2003 the FTW program had 145 members: 140 that are enrolled with Acute Care and 5 enrolled with ALTCS.

HIFA II

HIFA II was fully operational on January 1, 2003. As of April 1, 2003 there were 9,450 members. KidsCare parents totaled 9 132 and Medicaid parents totaled 318 members.

CIGNA Enrollment Cap

CIGNA Community Choice decided not to submit a proposal for the upcoming contract cycle effective October 1, 2003. Therefore, when possible, AHCCCS is working to discontinue enrolling members with CIGNA as soon as possible to avoid members having to change health plans twice in a short period of time.

The annual enrollment that has already occurred for the May effective date will still allow those assignments for CIGNA. Assignments of newborns, family continuity and 90-day re-enrolls will also continue until the plan is no longer contracted with AHCCCS. It was determined that it would be better to let 90-day re-enrolls be assigned to CIGNA and continue care with established providers and then choose another Health Plan during open enrollment. Open enrollment in July and August will only occur for those members whose health plan is no longer available to them effective October 1, 2003.

OMC and ISD will work to change the algorithm effective May 1, 2003, and stop all auto-assigning to CIGNA. Target percentages will be recalculated for the remaining Maricopa County contractors.

DMS and ISD are working to change all enrollment notices, annual enrollment notices and applications.

Pharmacy Senior Prescription Benefit Card Program

AHCCCS received bids from nine entities to oversee the Pharmacy Senior Prescription Benefit Card Program, as directed by Governor Janet Napolitano with Executive Order 02-003. The bids have been evaluated and final announcement of the winning pharmacy benefit management (PMB) company is awaiting instruction from the Governor's Office.

While the prescription benefit program has not yet been launched, the first key part – the issuing and review of bid proposals for a PBM – has been completed successfully.

Activities By Divisions

Office of the Director

Community Relations

The Community Relations Coordinator presented information on budget & legislative updates; Acute Care, ALTCS, Medicare Cost Sharing, Behavioral Health, and KidsCare programs; to community groups, public and private organizations, governmental agencies, and healthcare providers including:

- Arizona Department of Health Services (ADHS) Tobacco Tax Clinic Staff
- Apache County Youth Council
- Arizona State Hospital Staff Health Fair
- Border Vision Fronteriza Conference Call
- Carondelet Foundation- Covering the Uninsured Breakfast
- Children's Action Alliance Quarterly Outreach Workshop
- Cigna Case Managers & Nurses (100)
- Cigna Case Managers and Social Workers
- Head Start Health Services Advisory Committee
- Healthy Kids/Healthy Arizona Health Fair
- Hospice of the Valley Outreach Staff
- Maricopa County WIC Directors
- Morrison Institute Legal Aid Conference
- Mothers Against Gangs
- Peoria School District (Presented information to high school seniors with special needs, their parents & teachers)
- Phoenix Health Plan Outreach Staff
- Pima Health Services Member Services Department
- Pinal/Gila Council for Senior Citizens
- Senior Action Day (Arizona State Capitol)
- St. Luke's Hospital Health Fair (A Tu Salud)
- Value Options Planning Staff

Arranged training for the following groups:

- Arizona Women Education and Employment Agency (Case managers)
- Children's Action Alliance Conference - HIFA Overview
- City of Phoenix Neighborhood Services Health Fair
- Covering the Uninsured Breakfast
- Department of Economic Security/Area Agency on Aging Newsletter (ALTCS Article)
- East Valley Head Start Event (KidsCare information table)
- John C. Lincoln Adult Care Center
- Phoenix Oncology Nursing Society
- Tucson Wal-Mart Center (KidsCare information table)
- University of Arizona (U of A) Fellowship - Medical Providers from Chile
- Wilson Elementary School Health Fair

Assisted AHCCCS members and community advocates with eligibility/service issues which included:

- ALTCS eligibility information
- Basic eligibility questions
- Behavioral health services
- Inability of AHCCCS to pay for hospital services received by SES clients
- New FPL guidelines
- Referrals to sliding scale clinics for those that do not qualify for AHCCCS
- Services provided by other State agencies
- Statistical information

Attended the following meetings and events:

- African American Health Information System Coalition
- Arizona Beneficiary Coalition (Medicare Cost Sharing)
- Asian American Health Coalition
- Asian Health Initiative
- Collaboration for a New Century (Health Subcommittee)
- Community Access Program of Arizona (HRSA Grant)
- Concilio Latino de Salud (Board Member)
- Friendly House (Board Member)
- Governor's Commission on the Health Status of Women and Families
- Healthy Children/Health Families Steering Committee
- Healthy Mother's/Healthy Babies
- Healthy People 2010 (Board member)
- Hispanic Women's Corporation
- Maricopa County KidsCare Coalition
- U of A/Maricopa County Medical Interpreter Project
- CMS KidsCare Teleconference Meeting
- Regional Continuum of Care Committee (homelessness)

In addition, the Community Relations Coordinator:

- Created an e-mail database of various community-based organizations throughout Arizona to inform them of education opportunities.
- Provided an overview of the Community Relations Unit responsibilities to Executive Management.
- Updated Power Point presentations and materials to reflect the 2003 FPL.

- Conference call with Robert Wood Johnson staff to discuss the feasibility of continuing the Covering Kids Outreach Campaign, effectiveness of their materials, and discussion of what other type of materials would be beneficial.
- Attended Pharmacy Program Public Hearing held by AHCCCS.
- Attended stakeholders meeting to provide information regarding legislative and budget issues.
- Developed AHCCCS statistical tri-fold for the AHCCCS Director to be distributed at the Governor's Cabinet Meeting.
- Provided AHCCCS 101 Power Point presentation to Assistant Deputy Director, OMC to be utilized in a meeting with the Lewin Group.
- Provided AHCCCS 101 Power Point presentation to Pima Health Services Member Services Department and to the Pinal/Gila Council for Senior Citizens.
- Met with the Forethought Group to review community relations and how it interfaces with HIPAA.
- Attended the "Call To Action - Building Public/Private Partnerships" meeting sponsored by the Governor's Office.
- Assisted the Arizona Department of Insurance in reviewing the material about AHCCCS on their website.
- Began the development of a "Community Partners" section on the AHCCCS website for community advocates and community based organization.
- Provided information to OPAC for CMS quarterly report.
- Met with AHCCCS Public Information Office to begin discussion of the development of a training video to focus on the Medicare Cost Sharing Program.
- Attended the Cesar Chavez Memorial Breakfast at Arizona State University.
- Submitted Medicare Cost Sharing information to the Rural Health Office for consideration of a workshop at the Rural Health Conference in June 2003.
- Attended "Effectively Serving the Immigrant Community" forum sponsored by the City of Phoenix Human Services Department.
- Assisted St. Luke's Health Initiative Foundation in developing a matrix of AHCCCS programs for use on their web site for small businesses.
- Provided Mountain Park (Federally Qualified Health Center) with a letter of support from the AHCCCS Director supporting their efforts to seek federal funding to develop a new satellite office in east Phoenix.
- Met with United Way staff person responsible for developing the 211 statewide effort
- Reviewed the contingency plans developed by Premium Share and Health Care Group.
- Assisted Children's Action Alliance in scheduling meetings with Robert Wood Johnson staff and AHCCCS staff - AHCCCS Director and KidsCare staff. Robert Wood Johnson will be performing an onsite review for the Covering Kids Campaign of which Children's Action Alliance is the Arizona grantee.

Collaborations established during this time period:

- Apache County Youth Council
- Arizona Dental Association
- Arizona Women's Education and Employment Program
- Grandparents Raising Grandchildren
- Head Start Health Services Advisory Committee
- Hospice of the Valley
- Maricopa County WIC Directors
- Maryvale Health Mothers/Healthy Babies

- Mother's Against Gangs
- Peoria High School District
- Phoenix Oncology Nurses Society
- St. Luke's Hospital

Office of Legal Assistance (OLA)

OLA received 2,162 cases. Cases fell into one of three types: member grievances, claims grievances, and eligibility appeals.

Seventy-three percent of the cases filed involved grievances regarding claims. OLA resolved 1,410 cases informally, eliminating the need for a formal hearing. The Director issued 727 decisions. The majority of these decisions concurred with the Arizona Law Judges' findings. A total of 35 Final Decisions were issued.

Office of Policy Analysis and Coordination (OPAC)

State Plan Amendments (SPAs)

OPAC submitted four SPAs to CMS during the quarter. Requested SPAs included a reduced FPL for pregnant women from 140 to 133 percent, reflecting legislative changes; elimination of the Qualified Individual-1 program as federal funding for this program did not continue; the correction of a technical error; and the submittal of the Disproportionate Share Hospitals' payments.

Division of Member Services (DMS)

Web-Based Verification Application

The new WEB Verification Application implemented by AHCCCS as a no-cost service to the providers, continue to attract more users. During the month of November 2002, the number of providers opening an account with AHCCCS to access eligibility and enrollment, via the WEB, was 204 – the number of verifications completed that month was 10,299.

During this last quarter ending March 2003, the number of providers with WEB accounts grew to 1,010 and the number of verifications completed during March 2003 totaled 55,915.

November 2002	March 2003
Number of Providers: 204	Number of Providers: 1,010
Number of Verifications: 10,299	Number of Verifications: 55,915

There has been a slight but noticeable movement of providers from the per-transaction automated systems to the no-cost to provider WEB. During next quarter, AHCCCS will track the impact of the increased WEB usage to the number of provider calls to the AHCCCS Communications Center.

Office of Program Integrity (OPI)

On February 13, 2003, two individuals plead guilty in Maricopa County Superior Court to Attempt to Commit Fraudulent Schemes and Practices. They were each sentenced to supervised probation, prohibited from working in the health care field, and ordered to pay restitution to AHCCCS.

Two cases were referred to the Arizona Attorney General for prosecution. One case involved incorrect billing and billing for services not rendered, and the other for billing for the delivery of babies performed by other doctors.

An investigation initiated and investigated by OPI, found a contractor was submitting incorrect information on applications of Social Security Income/Medical Assistance Only for AHCCCS members. It was alleged that members provided the correct information to the company, however; the information provided by the members was being omitted from the applications. The investigation resulted in the recovery of \$7,064.07, plus investigative expenses.

OPI's investigation of a Nurse Practitioner, Steve Martin, has caught the attention of the F.B.I. and the U.S. Office of Personnel Management – Office of Inspector General. These two federal agencies have opened criminal cases in conjunction with the OPI Office of Investigations. Mr. Martin is scheduled to go to trial in St. Johns, Arizona on May 6, 2003, on AHCCCS related criminal charges.

A woman claiming to be indigent applied for medical benefits for her and her family. Later, this “indigent person” appeared on national TV segments of 60 minutes and was bragging about her E –Bay internet business that had allowed her to lead a lavish lifestyle and buy several homes. An anonymous letter alleges that this AHCCCS member reportedly makes about \$12,000 a month. OPI continues investigation into this case.

A male subject appeared at a hospital emergency room suffering from a gunshot wound. He provided false and misleading information to the eligibility worker who became suspicious and pended his application awaiting an investigation. Investigators found that this subject had recently purchased a \$350,000 home and had several luxury vehicles including a Ferrari, Hummer, and a Mercedes. Due to the nature of the investigation, AHCCCS is coordinating a joint investigation with the Department of Economic Security, as this family had received Food Stamps and welfare payments (TANF).

OPI Director, David Botsko and Special Investigator, Tom Ridgeway have provided depositions to defense attorneys on a criminal case based on an AHCCCS investigation relating to a non-emergency transportation company. The Arizona Attorney General has seized the company assets. This case is scheduled for trial in Sierra Vista, Arizona.

Governor Janet Napolitano has selected the former Director of OPI, Pete Francis, to direct her new Performance Review Effort.

David Botsko, the former Chief of the AHCCCS Office of Investigations, was appointed by the Director of AHCCCS to be the new Director of the Office of Program Integrity.

First Quarter 2003, AHCCCS Recoveries: \$188,978.00

Office of Managed Care (OMC)

Division Changes

As a result of the agency's commitment to continuously improve processes and avoid duplication of effort, various divisions and units have been re-aligned in order to serve the agency in a more efficient manner.

There is a general movement toward aligning services/units that are "Health plan related" vs. "fee-for-service-related." To that end, some changes have been made in order to re-align various units within divisions.

Reinsurance, which is health plan-related, has been placed within OMC, which is responsible for health plan oversight, among other functions. As a result, the three reinsurance claims staff has become part of OMC.

In addition, the reinsurance nurse/auditor staff from the OMM has also become part of OMC.

Operational and Financial Reviews (OFRs)

ALTCS

The ALTCS Review Team continued the OFRs for Contract Year Ending 2003 (CYE '03). One contractor was reviewed each month. Reviews are scheduled monthly through May 2003.

The CYE '03 reviews differ from past reviews in several areas. AHCCCS is attempting to make the reviews more outcome oriented this year. There is also increased emphasis on analysis of the program contractors' Corrective Action Plans (CAP) from the CYE '02 reviews.

Behavioral Health Unit (BHU)

ADHS/Division of Behavioral Health Services (DBHS)

AHCCCS completed the final report of the OFR of ADHS conducted in September 2002. The report covered findings in the areas of:

- Administration and training,
- Contracts, data systems,
- Finance,
- Fraud and abuse,
- Grievance and member rights,
- Quality management,
- Member services, and
- Provider networks.

The report was delivered to CMS in February 2003. ADHS has submitted a Corrective Action Plan addressing identified deficiencies and a CAP update is due to AHCCCS on September 2, 2003.

OFRs of Contractors

AHCCCS' OMC/BHU participated in OFRs of the three long term care contractors scheduled for review during the reporting period. The behavioral health portion of the OFRS utilized review tools based on contract standards that were developed for the ALTCS contractors.

The review tool for ALTCS contractors included the following content areas:

- Adequacy of the behavioral health provider network;
- Contractor mechanisms for ensuring coordination of behavioral health services with the member's primary care provider;
- EPSDT / behavioral health screening and follow-up;
- Quality of behavioral health care, including a standard to assess the contractor's inclusion of the member/parent/guardian in treatment planning decisions, and
- Timeliness of behavioral health screening, referral and provision of services.

OMC/BHU staff will continue to participate in the OFRs of contractors scheduled for review during the next report period.

OMC/BHU staff also conducted an on-site visit of one Acute Care contractor as a follow-up to the CYE '02 OFR. The purpose of the on-site visit was to examine the evidence that corrective action had been implemented.

ALTCS Unit

Mercy Care Plan – Notice to Cure

AHCCCS placed Mercy Care Plan on a Notice to Cure. The reason for this action was recurring problems with wording of Member Rights and Responsibilities notices. Mercy Care Plan was ordered to re-issue a number of notices and achieve a compliance rating of 90 percent in the 30 days immediately following the issuance of the Notice to Cure.

AHCCCS staff reviewed Mercy Care Plan Member Rights and Responsibilities notices weekly for a month. The program contractor achieved a 100 percent compliance rating for this period. As a result of the high level of compliance, AHCCCS rescinded the Notice to Cure with no imposition of sanctions.

AHCCCS staff will periodically, on an unannounced basis, review a sample of Mercy Care Plan Member Rights and Responsibilities notices to ensure continued compliance.

Annual HCBS Report

The Annual HCBS Report was completed and submitted to CMS. The report details significant HCBS activities, such as Network Development Plans, Performance Measures, and the role of the Member/Provider Councils. A number of HCBS Growth and Placement Tables were included, showing HCBS placement by setting, by program contractor, and by county.

Behavioral Health Unit

Contractor Technical Assistance and Collaboration - Network Development

OMC/BH continued to meet regularly with ADHS/DBHS staff to develop strategies to enhance and expand the network of behavioral health providers with emphasis on the following areas:

- Children's services, particularly for Therapeutic Foster Care Homes and Habilitation providers for family support, personal assistance, living skills, transportation, and respite services; and
- Substance abuse service capacity for both adults and children. OMC/BHU staff participated with ADHS and a consultant in a two day workshop to assess ADHS' current approach/activities related to network assessment and development. The goal was to design enhanced processes, including the development of a "logic" model for determining network adequacy and sufficiency.

Coordination Of Care – Feasibility Study

AHCCCS' grant application was selected by St. Luke's Health Initiatives to conduct a feasibility study to determine the potential opportunities and resources that would be required to develop a limited integrated patient information system. The system would allow the sharing of key patient information between a member's Primary Care Provider (PCP) and the behavioral health provider. AHCCCS negotiated a contract with a consulting firm to conduct the study. The project is on schedule and a final project report of findings and recommendations is anticipated in July 2003.

Regional Collaboration To Enhance Coordination Of Care

OMC/BHU continued to participate in regularly scheduled meetings between each Regional Behavioral Health Authority (RBHA), the health plans serving members in that geographic area, providers, and representatives of ADHS/DBHS. The meetings are designed to facilitate regional collaboration and problem solving to enhance coordination of member care between PCP and the behavioral health provider(s).

Balanced Budget Act (BBA) Revised Rules - Analysis And Implementation Project Teams

OMC/BHU continued to participate with staff from other AHCCCS units/divisions, in initiating an in-depth analysis of the revised BBA managed care regulations in order to identify gaps between current practices, policies, contract language, and the new requirements, and to develop, for those areas identified as gaps, a detailed compliance implementation plan.

HIPAA

OMC/BHU staff were actively engaged in working with the AHCCCS-wide internal teams and consultants, in assessing AHCCCS', and its contractors', readiness to comply with HIPAA regulations, to identify gaps in current compliance and to development action plans and timelines for reaching full compliance.

Children's Systems Of Care – Expansion Of Family-Centered Services And Supports For Children Statewide

Arizona's Governor Napolitano, in recognition of the success of a pilot project, issued an executive order directing ADHS to expand its innovative approach to providing behavioral health services to children. The new approach uses child and family teams as the foundation for planning for and delivering of behavioral health services and supports. It also brings together Arizona's agencies serving children in a strong partnership to help children and families.

The model is built on principles that emphasize treating children and families with respect, honoring the child's/family's voice and choice, and promoting collaboration among agencies. This model has been successfully implemented and tested in the pilots sites in Arizona and will now be implemented statewide. ADHS and the RBHAs continued to implement a statewide training program directed toward enhancing the knowledge and skills of staff to work within this new model.

Collaboration With ADHS/DBHS – Higher Education Workgroup

AHCCCS OMC/BH staff participated with ADHS/DBHS staff and a consultant in discussions to design a staff development plan. The goal is to develop effective strategies to partner/collaborate with private colleges, community colleges and universities to develop curriculum and training programs.

The focus will be on effectively preparing staff to work in the public behavioral health system, including providing the knowledge and skills required to practice according to the principles of strengths based, person/family centered service delivery and encourage individuals to pursue employment in the public sector behavioral health system.

Technical Assistance - RBHA/ALTCS Transition

OMC/BHU continued to provide technical assistance to, and work with, the Maricopa County RBHA and the ALTCS program contractors serving Maricopa County members, in developing and operationalizing collaborative and coordinated processes. The goal was to ensure a seamless, effective transition for members moving from one system of care to the other. OMC/BHU and DMS provided a series of trainings to the RBHA on ALTCS financial and clinical eligibility criteria and expectations for effective, coordinated transfer of care. OMC/BHU will continue to facilitate monthly transition meetings with the RBHA and ALTCS contractors that focus on strengthening the coordination and transition/transfer of care processes, and on staffing individual members who are scheduled for transfer of care between the two systems.

Encounter Processing, Analysis and Rate Setting Unit

Encounter Validation Study

Feedback from contractors regarding CYE '00 Encounter Data Validation Study preliminary results has been analyzed. It is expected that final results will be sent to contractors during the next quarter. CYE 01 Encounter Data Validation Study medial record copies have been received and cataloged. Medical recode abstractions have begun in order to compare medical documentation to reported encounter data.

Encounter Operations

Encounter and report transmissions between AHCCCS and contractors continue via File Transfer Protocol. As a result of the approaching HIPAA transaction implementation deadline, the operations area is working with contractors to significantly reduce both newly and aged pended encounters. One goal is to reduce total pended encounter volume of submitted encounters. A low pend volume should help our contractors during the HIPAA transaction transition period.

National Conference Calls and Meetings

Staff participated in several telephone conference calls regarding HIPAA implementation and implementation issues. Staff are expected to continue participating in these calls and future meetings.

Ratesetting

- FFY '03 Graduated Medical Education payments were made.
- Outpatient hospital cost-to-charge ratios were updated January 1, 2003 (this was postponed from October 1, 2002 because of FY '00 Medicare Cost Report filing delays).
- Transportation rates were frozen at current level on January 1, 2003.

Reinsurance

Responsibility for coordination of medical oversight for two types of reinsurance was transferred from the OMM to OMC on January 1, 2003. Six reinsurance audits were completed during this quarter.

Finance and Health Plan Operations Unit

CYE '04 RFP

Beginning in late September 2002, processes and teams for the CYE '04 RFP for Acute Care services were organized. Teams were formed for the preparation of the document, scoring, and data supplement information. The document was completed late January 2003 and the RFP was released to the public February 3, 2003. The RFP teams continued to work on scoring criteria and tools as well as any necessary amendments to the RFP document. RFP submissions were due from the public March 31, 2003.

Division of Business and Finance (DBF)

Contracts

During the period of January 1, 2003 through March 31, 2003, AHCCCS initiated, awarded or amended the following contracts/agreements:

- Issued amendment #21 for the Behavioral Health agreement with ADHS.
- Awarded a new Third Party Liability Collection Services contract to Public Consulting Group.
- Approved an amendment to Banner Health Systems' Transplant contract to allow Phoenix Children's Hospital (PCH) to provide pediatric kidney transplants at their facility.
- Approved a new agreement between Mayo Clinic Scottsdale and the PCH to allow PCH to begin providing pediatric bone marrow transplants at their Phoenix facility.
- Medicaid Eligibility Verification System RFP was awarded to three vendors, Medifax/EDI, WebMD/Envoy, and Health Data Exchange (HDX).
- The new Acute Care RFP was issued and proposals were received on March 31, 2003. This solicitation is currently in evaluation.
- The following new solicitations have been initiated by the Contracts Section:

- o Facilities Management Services
 - o Healthcare Groups Marketing Services
 - o Healthcare Groups Services
 - o Identification Card Printing and Mailing Services
 - o Information Technology Consulting Services
 - o Three-Way Funding Interagency Service Agreement
- The Governor requested a new solicitation be created by AHCCCS to provide a discount prescription drug program for Medicare eligible seniors. This solicitation was begun in January and an award will be announced by mid-April by the Governor's Office.

During this same period, contracting activities continued on the following contracts, agreements or solicitations:

- Amended our Plastic ID Card Services contract through the end of June, 2003 in order to allow adequate time for a new solicitation.
- The AHCCCS Copiers, Mail service and warehouse service contract with IKON, Inc. was renewed through the end of June, 2003 in order to facilitate a new solicitation.

Claims

The Claims Section continues to work at reducing the inventory. Claims inventory had increased due to implementation of a new imaging system. Any problems that we had been experiencing have been addressed.

More than 1,000 providers are using a new Web-Based Verification Application that allows them to verify eligibility and enrollment and to check the status of fee-for-service claims using the Internet. The site is secured through a security module developed by AHCCCS that requires a user login. VeriSign software is used to secure data transferred over the Internet.

The AHCCCS Fee-For-Service Provider Manual has been updated and is now available on the AHCCCS Web site. The Indian Health Service Provider Manual will be updated next quarter.

Claims staff has been working on the implementation of HIPAA Privacy and Security. A HIPAA overview and a more detailed training on Privacy and Security have been presented to claims staff. Claim staff also participates in the HIPAA Code Sets and Transaction workgroups preparing for the October 2003 implementation. System changes that are not related to HIPAA have been put on hold until after October 2003.

AHCCCS has developed Computer Based Training of HIPAA Privacy and Security Policy as well as an AHCCCS Privacy and Security Policy Manual.

Claims teams continue to participate in Core Business Process Mapping and Business Continuity Planning.

Information Systems Division (ISD)

Health Insurance Portability and Accountability Act (HIPAA)

Transactions and Code Sets - ISD found that the transaction mapping effort was greater than anticipated. As a result, two additional resources have been added to the specification team and a new design approach is being employed. Also, an additional Mercator-Certified resource has been added to the mapping team. Less complex transactions have been assigned to a secondary team to complete the design and map specifications. The enrollment (834) and the capitation (820) transactions have been mapped and the other transactions are in progress. The 834 transaction is on schedule to meet the CMS testing date of April 16, 2003.

Mercator conducted four weeks of training and workshops on the translator, and assisted us in setting up the translator environment. The architecture assessment was completed. Claredi was selected as the third-party certification software.

A draft of the Acceptance Test Plan was developed, and the Acceptance Test Region is on schedule to be completed and ready for verification testing the first of April 2003.

ISD is aware of some Managed Care Organizations, who are our business partners, which may not be HIPAA compliant by October 16, 2003. A contingency plan is being developed.

Privacy and Security - The workgroups met weekly to review and implement recommendations. Drafts of the agency-level privacy policy and procedures have been created, and training materials have been developed for communicating them to agency staff. In addition, the security gap analysis is in progress.

Two courses have been designed to address privacy: One is the overall awareness of privacy, and the other walks through the details of the policy. The courses will be available to all staff through the agency intranet, and the completion of each course will be tracked to ensure everyone completes the training modules.

Hawaii/Arizona Prepaid Medicaid Management Information System Alliance Project

The operation of the joint system between Hawaii and Arizona to implement AHCCCS' PMMIS continues to go well. Changes for one state and/or both states are implemented in 'releases' on a quarterly basis. During the next six months, changes are restricted to mission critical items with no manual work-a-rounds so that staff can concentrate their effort on priority projects such as HIPAA and CYE '04.

AHCCCS Customer Eligibility (ACE)

A DMS eligibility redesign team re-engineered the entire eligibility determination process, defining 27 functional requirements. Some of the new functionality is already being implemented into manual processes, while other requirements will be implemented together with the ACE system.

The proposed system has the following objectives:

- Dramatically improve customer service (substantial reduction in paper, quick entry into services, and increased assistance to clients needing verification)

- Easily integrate new eligibility programs, as required (such as, 100% FPL, KidsCare, and Premium Sharing)
- Integrate new concepts (Universal Application)
- Streamline the eligibility process to increase productivity, improve the quality of eligibility determinations and reduce the time it takes to determine eligibility (through easier data entry, reduction in manual processes and utilization of knowledge management principles)

ACE was implemented in the Casa Grande office on February 3, 2003, and within two hours eleven new applications were registered in the system and the first interactive interview was conducted. Since then, production has been going very well in this first office. The Globe office will be implemented in May 2003. Additional offices will be implemented during the next eighteen months.

The technical staff is monitoring system performance of ACE to ensure that the response time remains stable as the volume of cases in the system increases.

Converted data from the Long Term Care Eligibility Determination Systems/Client Assessment Tracking System for the Casa Grande office is being verified, and will be added to ACE in June 2003.

The laptop version of ACE, which will be used for conducting interactive interviews in the field, is being developed with plans to begin testing in May 2003.

Phase II of this project will incorporate the SSI-MAO program into ACE. It is currently on schedule with plans for testing in June and July 2003.