AHCCCS
Arizona Health Care Cost Containment System

2017 ACCESS MONITORING ANALYSIS

May 2017

Thomas J. Betlach, Director
AHCCCS
www.azahcccs.gov

OVERVIEW

42 CFR § 447.203 requires AHCCCS to develop an access monitoring review plan beginning in 2016 for the fee-for-service population and to update the plan by July of each subsequent year. The regulation also requires AHCCCS to complete an analysis of the data specified in the access monitoring review plan, beginning in 2016, with a separate analysis of each of the following provider types and types of service at least once every three years:

- Primary care services – including those provided by a physician, federally qualified health center (FQHC), clinic, or dental care
- Physician specialist services
- Behavioral health services – including mental health and substance use disorder
- Pre- and post-natal labor and delivery
- Home health services
- Additional types of services for which the state or the Centers for Medicare and Medicaid Services (CMS) has received a significantly higher than usual volume of beneficiary, provider, or other stakeholder fee-for-service (FFS) access complaints
- Any services for which the state proposes to reduce provider payment rates or restructure provider payments in circumstances when the changes could result in diminished access to care

The access monitoring review plan can be found on AHCCCS's public website and contains additonal information about the AHCCCS program, the benficiary population, and mechanisms for provider, beneficiary and other stakeholder input.

PROVIDER RATES

During the Great Recession, the state budget directed the AHCCCS Administration to enact a number of changes to the Arizona Medicaid program in order to deal with the state's revenue shortfall, including a series of provider rate reductions in federal fiscal years 2009, 2011, and 2012. Since then, AHCCCS rates have remained relatively flat, with selected increases for certain provider types.

As required by federal regulation, this report provides analysis of the percentage comparison of Medicaid payment rates to other public and private health insurer payment rates by geographic area when data is available for such a comparison. For purposes of this report, the State is defining "geographic area" as urban and rural areas of the state with urban areas being those counties with 500,000 or more persons (Maricopa and Pima counties) and rural areas being those counties with under 500,000 persons. Since some providers may have sites in multiple counties, it is possible for providers to practice in both an urban and rural area. With respect to the services covered by this analysis, neither the Medicare nor Medicaid programs for Arizona differentiate payment rates for urban and rural providers.

As discussed in the Access Monitoring Review Plan, AHCCCS FFS rates are compared to Medicare rates and Medicaid rates of four neighboring states (Colorado, New Mexico, Nevada, and Utah) when similar services are covered and information is available. At this point in

time, AHCCCS is unable to make rate comparisons to private health insurance payments because data is not available. When rate data for Medicare and Medicaid in neighboring states is unavailable, a comparison is also made to the AHCCCS MCO rates.

The next sections of the report provides an analysis by different types of services.

Analysis of Primary Care Services

42 CFR § 447.203 requires states to provide information on primary care services, including those provided by a physician, FQHC, rural health clinic (RHC), and dental care. Reimbursements for these services are delineated in several fee schedules including the physician fee schedules, FQHC/RHC PPS Rates, and Dental Services Fee Schedule as described in further detail below.

From FFY 2009 to FFY 2016, utilization for primary care, as measured by the number of claims for FFS recipients, increased from 461,609 to 626,787, a 36% increase. While there is no agreed upon level of appropriate use of primary care services for Medicaid recipients, a large decrease in utilization could signal that AHCCCS recipients are unable to find available providers. More details on utilization are provided in the table below.

Primary Care Service Claims								
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16
Primary Care Physicians	198,541	212,361	222,471	210,373	204,071	222,147	240,924	243,710
Non-Physician Specialists	37,885	40,999	43,320	41,334	45,022	55,182	61,815	78,440
Dentists/Hygienists	38,066	40,786	33,813	32,483	35,685	35,933	34,138	34,040
IHS/638 Facility *	187,117	206,700	208,112	198,048	198,448	234,770	256,649	270,597
FQHC/RHC **	NA	NA	NA	NA	NA	NA	9,741	18,184
Total	461,609	500,846	507,716	482,238	483,226	548,032	603,267	626,787

* Includes claims from IHS/638 Clinics billed on the UB at an all-inclusive rate. While data does not specify if they were primary care, for purposes of this report, we have included them as primary care. Dental services administered at IHS/638 facilities that focus on dental services are displayed in the Dentists/Dental Hygienists category.

** Prior to FFY 2015, claims for FQHCs and RHCs were not distinguishable in the claims system and formed a portion of the physician, non-physician, and dentist claim totals shown above. The total above for FFY 2015 reflects only the second half of the fiscal year.

Physician Fee Schedules

The Physician Fee Schedules comprise a broad collection of services, including physician and non-physician practitioner procedures, drugs and biologicals, vaccines and toxoids, laboratory and pathology, and durable medical equipment and supplies. With the exception of the drug schedule, whose periodic updates account for changes in drug prices, these rates experienced budget-driven reductions in fiscal years 2009, 2011, and 2012.

This group of reimbursement rates includes physician and other practitioner rates based on the National Relative Value Scale, the physician drug schedule, and the anesthesia conversion factor. More than 90% of the annual provider reimbursements based on these rates cover services provided by physicians, physician assistants, and nurse practitioners.

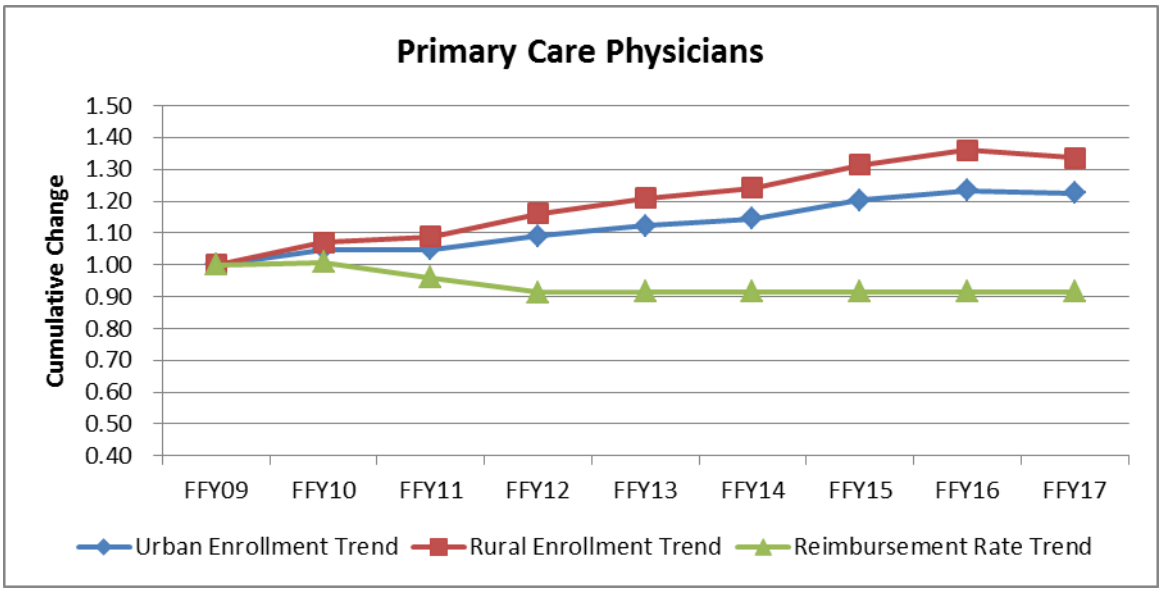
Throughout the period studied, the AHCCCS provider network has remained sufficient in number and availability, and the number of physicians delivering primary care services has generally increased, as illustrated below. From FFY 2009 to FFY 2017, the number of primary care physicians increased by 22.5% in urban areas and 33.6% in rural areas. According to information from the Kaiser Family Foundation, in September 2016 Arizona had 8,060 active

state licensed primary care physicians in Arizona.[1] Therefore, it is estimated that the majority of primary care physicians in Arizona participate in Medicaid.

AHCCCS does not differentiate between primary care physicians and specialty physicians for purposes of reimbursement. For the purpose of this report, AHCCCS looked at the specialties which Doctors of Medicine (M.D.) and Doctors of Osteopathic Medicine (D.O.) reported when registering with AHCCCS. Physicians with the following specialties were classified as primary care physicians: family practice, general medicine, internal medicine, obstetrician and gynecologist, gynecologist, obstetrician, pediatrician, and gerontologist. All other physicians were classified as physician specialists.

More details on the number of primary care physicians and an illustration of the number of providers compared to the reimbursement rate trend are below.

AHCCCS-Enrolled Primary Care Physicians									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	5,409	5,665	5,664	5,899	6,077	6,196	6,509	6,675	6,624
Rural	2,026	2,168	2,206	2,351	2,448	2,516	2,661	2,755	2,706

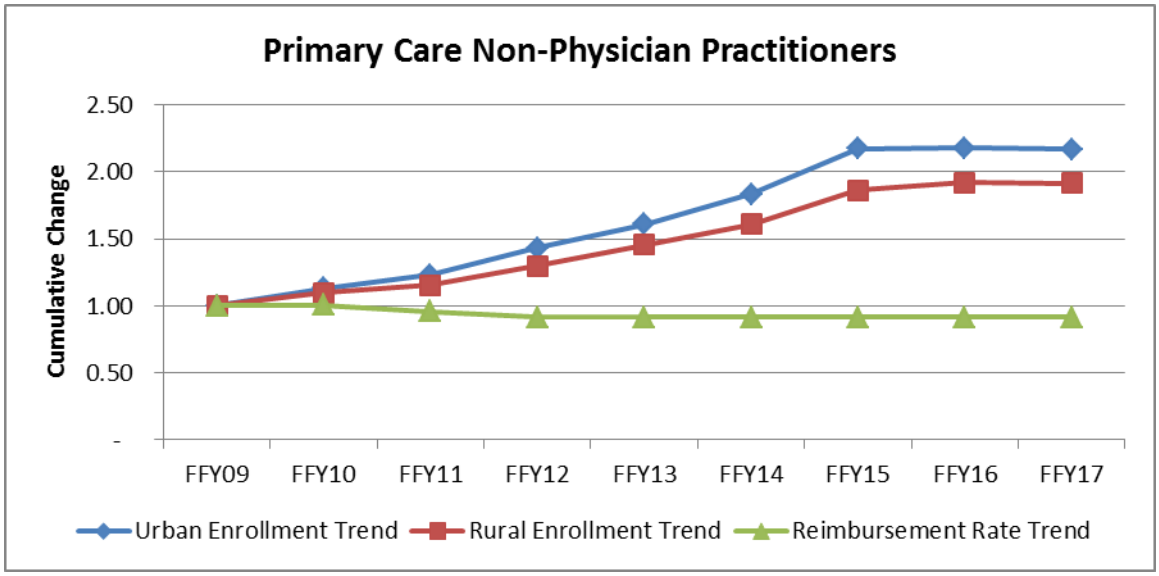


Other major providers of services reimbursed from the physician fee schedules are primary care non-physician practitioners, which includes physician assistants, registered nurse practitioners, certified nurse-midwives, and optometrists. AHCCCS enrollment of these provider types has seen the same generally increasing trend as seen for physicians, even through years of rate reductions. The table below provides more details, and the chart

[1] Kaiser Family Foundation. Total Active Physicians. http://kff.org/other/state-indicator/total-active-physicians/

illustrates the rate trend over several years compared to the number of enrolled providers of these types.

AHCCCS-Enrolled Primary Care Non-Physician Practitioners									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	2,720	2,986	3,135	3,536	3,955	4,370	5,058	5,225	5,210
Rural	1,101	1,245	1,357	1,575	1,769	2,018	2,392	2,399	2,384



The 2016 Medicaid Physician Fee Index published by the Kaiser Foundation illustrates that Arizona compares well nationally for physician reimbursement, ranking 14th out of the 50 states for obstetric care and ranking 18th or 19th in every other catergory. Arizona Medicaid rates were 7% to 11% higher than the national average.[2] The table below illustrates how Arizona compares to surrounding states.

Medicaid Physician Fee Index: 2016

Measure of each state's physician fees relative to national average Medicaid fees

Location	All Services	Primary Care	Obstetric Care	Other Services
Arizona	1.11	1.11	1.13	1.07
Colorado	1.13	1.31	0.84	1.04
Nevada	1.37	1.50	1.23	1.21
New Mexico	1.19	1.16	1.21	1.25
Utah	1.19	1.30	1.13	0.95

[2] Kaiser Family Foundation. Medicaid Physician Fee Index. http://kff.org/medicaid/state-indicator/medicaid-fee-index/

Kaiser's 2016 Medicaid-to-Medicare Fee Index shows that Arizona rates range from 73% to 92% of the corresponding Medicare rates[3]. The table below illustrates how Arizona compares to surrounding states.

Medicaid-to-Medicare Fee Index: 2016

Measures each state's physician fees relative to Medicare fees in each state.

Location	All Services	Primary Care	Obstetric Care	Other Services
Arizona	0.80	0.73	0.92	0.84
Colorado	0.80	0.84	0.67	0.84
Nevada	0.95	0.95	0.97	0.92
New Mexico	0.89	0.78	0.98	1.05
Utah	0.86	0.86	0.90	0.80

AHCCCS differentiates the physician fee schedule by three different places of services: facility, non-facility and IHS/Tribal 638 facilities. In aggregate, for FFY 2016, AHCCCS FFS rates were 73.7% of Medicare rates for non-facility sites of service, 83.8% of Medicare rates for facility sites of service, and 93.2% of Medicare rates for IHS/Tribal 638 facilities.

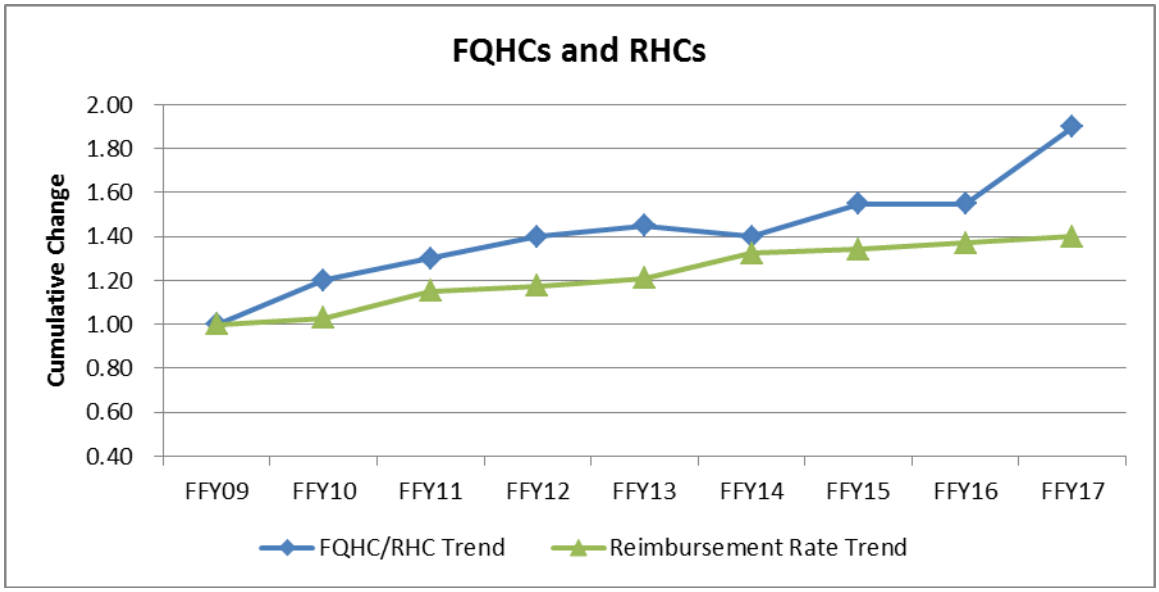
Federally Qualified Health Centers and Rural Health Centers

FQHCs and RHCs are a critically important part of the health care system and represent a valuable source of primary care for AHCCCS members. FQHCs and RHCs are required to serve an underserved population or geographic area, offer a sliding fee scale and provide comprehensive services. As shown below, the Arizona FQHC/RHC provider population continues to grow and this invaluable service is provided throughout the state of Arizona in both rural and urban areas.

From FFY 2009 to FFY 2017, the number of FQHCs/RHCs grew from 20 to 34, a 70% increase. The total shown for FFY 2017 represents 185 separate sites of service available to AHCCCS members throughout the state.

AHCCCS-Enrolled FQHCs, FQHC Look-Alikes, and RHCs									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
FQHCs	15	18	18	19	19	20	23	23	25
RHCs	5	6	8	9	10	8	8	8	9
Total	20	24	26	28	29	28	31	31	34

[3] Kaiser Family Foundation. Medicaid-to_medicare Fee Index. http://kff.org/medicaid/state-indicator/medicaid-to-medicare-fee-index/



Staffing and utilization data from the Health Resources and Services Administration annual publication of statistics on FQHC operations though fiscal year 2015[4] are detailed in the table below. These numbers illustrate a steady growth trend in utilization of FQHC services in Arizona.

	2009	2010	2011	2012	2013	2014	2015
Number of Patients	376,081	384,287	408,737	423,160	438,260	465,285	503,202
Number of Encounters	1,353,640	1,421,257	1,459,520	1,572,634	1,635,078	2,071,246	2,138,487
Total FTEs	2,705	2,955	3,155	3,345	3,481	4,352	4,268

The Benefits Improvement and Protection Act of 2000 (BIPA) established a prospective payment system (PPS) for Medicaid payments to FQHCs and RHCs. States may use an alternative payment methodology so long as the resulting PPS rate is no less than the PPS rate calculated under the BIPA methodology.

Arizona uses an alternative payment methodology, basing the PPS rate on each FQHC's and RHC's Medicare Cost Report, including some costs that are excluded by Medicare, and rebasing to the cost reports every three years. This methodology produces reimbursement rates that are higher than the BIPA rates, making AHCCCS participation an attractive option for these safety-net providers. Arizona rebased the FQHC/RHC rates for FFY 2017.

In April 2015, AHCCCS implemented a payment process change for FQHC and RHC claims, under which AHCCCS and its contracted Managed Care Entities will reimburse FQHCs and RHCs at the prescribed PPS rate on a claim-by-claim basis. Historically, these providers have been paid under a capped fee-for-service fee schedule with wrap-around payments made by the Administration via quarterly supplemental payments, sometimes realizing their full PPS

[4] The most recent year for which the data presented were available.

rate only after an annual reconciliation. The new payment process is expected to improve the providers' cash flows, as well as making the reimbursement process more transparent.

PPS rates were rebased effective October 1, 2013, increasing FQHC/RHC rates by 6.6% in aggregate. Effective October 1, 2014, the rebased rates were adjusted by the Physician Services Index of the Consumer Price Index, increasing the rates 1.38% across-the-board. For October 1, 2015, rates were increased again by 2.08%. The result of the aforementioned current rebase was an increase of 9.4 % in aggregate as of October 1, 2016.

Dental Fee Schedule

According to the American Dental Association, Arizona has 54.5 dentists for every 100,000 Arizonans. By comparison, the AHCCCS program has approximately 630 enrolled dentist for every 100,000 FFS members, exceeding the goal of "[A]t least to the extent that such care and services are available to the general population in the geographic area." While these numbers are state-wide averages, the dentist-to-member ratio does vary among the regions of the state.

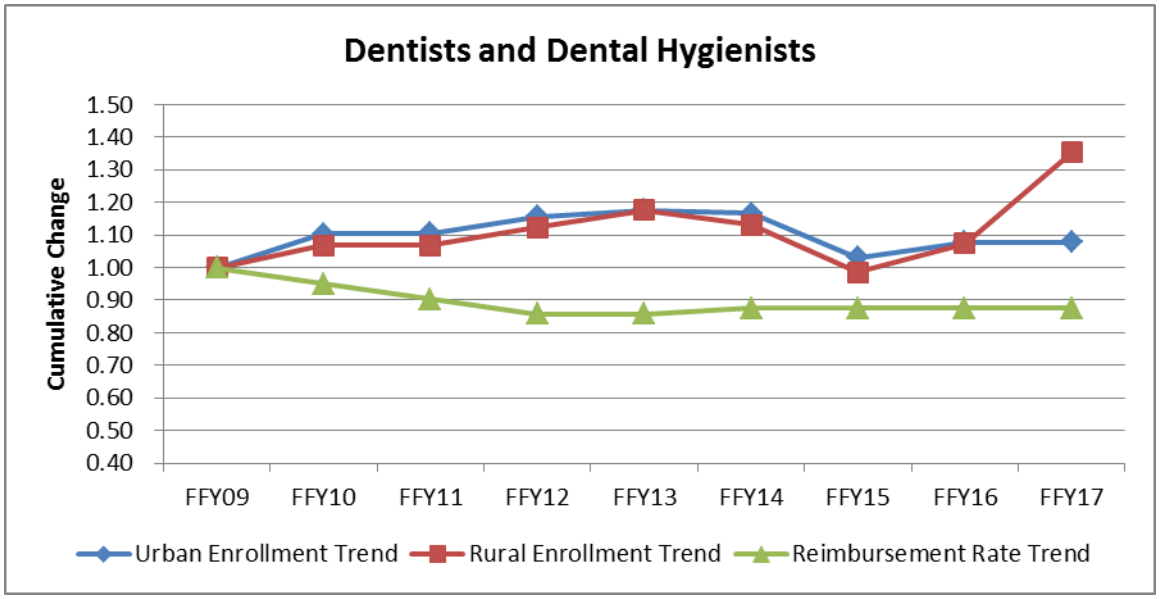
The AHCCCS Dental Fee Schedule is based on the biannual ADA Survey of Dental Fees, using the average fees among the western states. Dental services under the Arizona State Plan for Medicaid are limited primarily to children and persons under the age of 21 years under the requirements of Early Periodic Screening, Diagnosis, and Treatment. Routine dental is not a covered service for adults 21 years and older under the State Plan. Dental services for this population are limited to medical and surgical services furnished by a dentist to the extent such services may be performed under state law by a physician.

In federal fiscal years 2009, 2011, and 2012, dental rates experienced three budget-driven reductions. The number of AHCCCS enrolled dentists increased each year during those reductions, indicating that Medicaid participation among these providers is not largely impacted by AHCCCS reimbursement rates. For FFY 2014, AHCCCS adjusted the dental rates for the first time since October 1, 2011, increasing by 3.2% the rates for selected pediatric preventive services. For October 1, 2016, the update to the Dental Fee Schedule was budget-neutral in aggregate.

The table below illustrates that while there have been some fluctuations, the number of dentists and dental hygienists has been relatively stable in recent years, with 1,277 dentists and dental hygienists participating with AHCCCS in urban areas and 505 in rural areas in FFY 2016, up from 1,185 and 470 in FFY 2009, respectively. According to information from the Kaiser Family Foundation, in April 2016, Arizona had 4,003 professionally active dentists in Arizona.[5] Therefore, it is estimated that approximately 38% of Arizona dentists are participating in Medicaid. The table and chart below provide additional information.

AHCCCS-Enrolled Dentists and Dental Hygienists									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	1,185	1,307	1,309	1,371	1,393	1,382	1,221	1,277	1,277
Rural	470	502	502	528	553	532	463	505	636

[5] Kaiser Family Foundation. Professionally Active Dentists. http://kff.org/other/state-indicator/total-dentists/



Using information on rates posted on state Medicaid websites, AHCCCS compared 21 dental procedure codes which account for 80% of dental services reimbursed by AHCCCS. The comparison shows that AHCCCS reimbursement for dental services is generally higher than in neighboring states. [6]

	Colorado	Nevada	New Mexico	Utah
Arizona Dental Rates vs Other States	0.96	1.23	1.14	1.27

The FFY16 AHCCCS FFS Dental Rates were, in aggregate and for any site of service, 50% of the "fee most often charged for dental procedures" according the ADA 2013 Survey of Dental Fees. For purposes of this comparison, AHCCCS used the Mountain States survey results, which combines survey responses from dentists in Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming.

No access to care issues have been identified at this rate level.

[6] https://www.colorado.gov/pacific/hcpf/provider-rates-fee-
http://dhcfp.nv.gov/Resources/Rates/FeeSchedules/schedule
http://www.hsd.state.nm.us/providers/fee-for-service.aspx
http://health.utah.gov/medicaid/stplan/lookup/FeeScheduleDownload.php

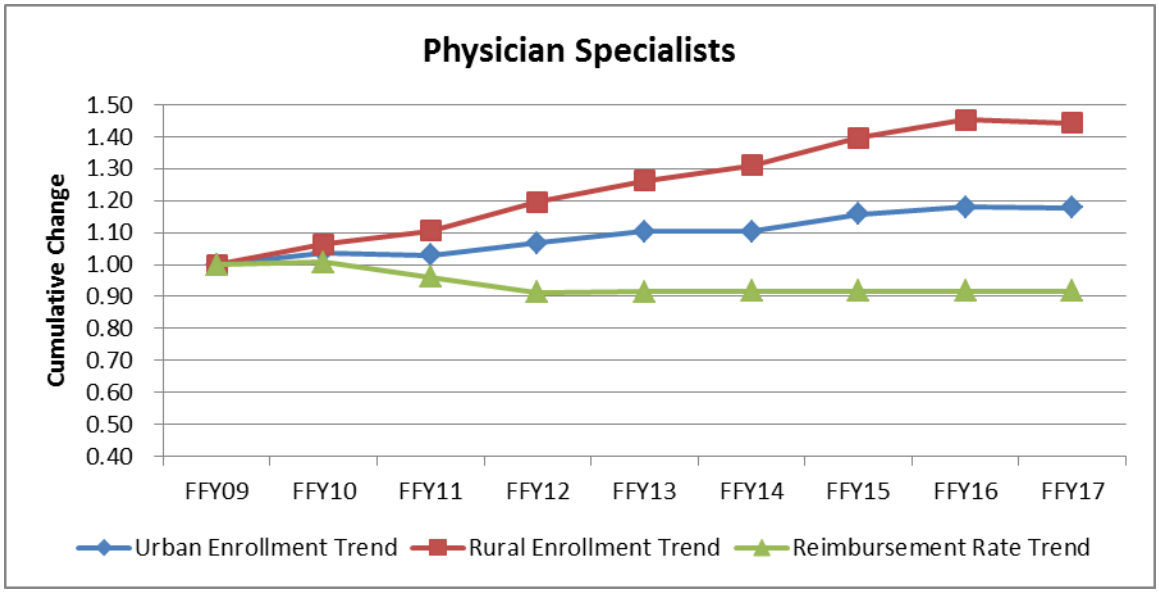
Analysis of Physician Specialist Services

Like primary care physicians, physician specialists use the physician fee schedule which is described in more detail in the prior section. AHCCCS utilization of services, as measured by the number of claims for physician specialists services increased, by 63.7% from FFY 2009 to FFY 2016.

Physician Specialist Services Claims								
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16
Physician Specialists	233,350	259,604	266,852	248,495	216,273	257,862	310,886	382,084

The number of AHCCCS enrolled physician specialists showed an increasing trend from FY 2009 through FY 2017, increasing by 17.7% in urban areas and 42.3%, through both rate reductions and budget-neutral updates. According to information from the Kaiser Family Foundation, in April 2016, Arizona had 8,803 active state licensed specialist physicians in Arizona.[7] Therefore, it is estimated that the majority of physician specialists in Arizona participate in Medicaid.

AHCCCS-Enrolled Physician Specialists									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	5,988	6,211	6,159	6,397	6,602	6,605	6,934	7,068	7,050
Rural	1,965	2,089	2,173	2,349	2,479	2,576	2,744	2,856	2,835



[7] Kaiser Family Foundation. Total Active Physicians. http://kff.org/other/state-indicator/total-active-physicians/

Analysis of Behavioral Health Services

Historically, the majority of behavioral health services were a carve-out service funded separately from medical services and managed through the Arizona Department of Health Services, Division of Behavioral Health Services (ADHS/DBHS). ADHS/DBHS contracted with Regional Behavioral Health Authorities (RBHAs) and Tribal Regional Behavioral Health Authorities (TRBHAs) to provide behavioral health services.

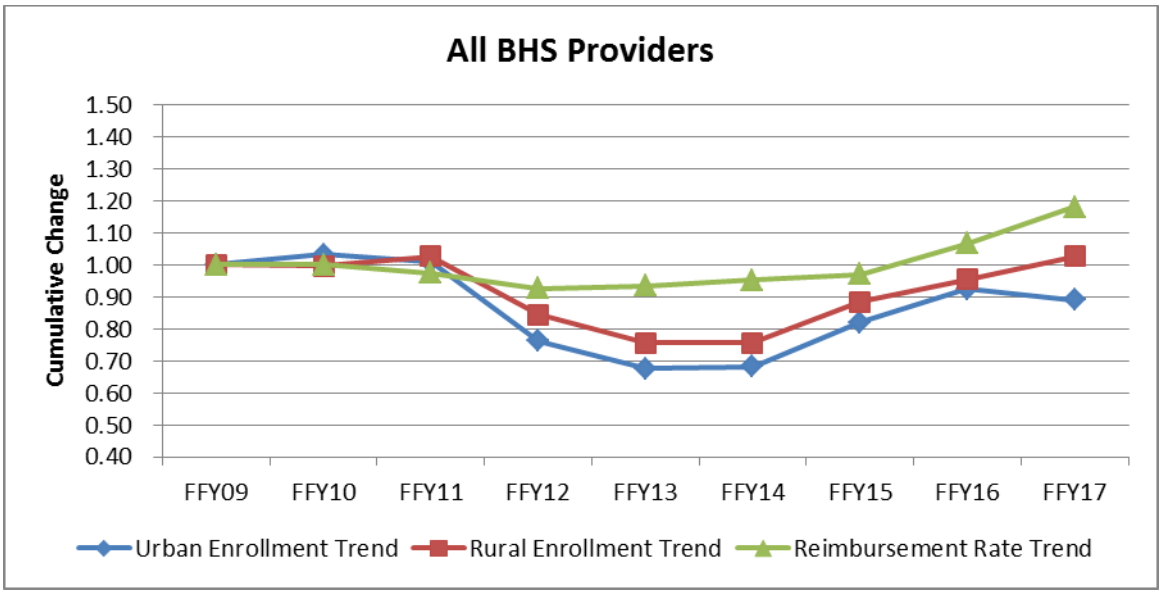
In recent years, AHCCCS and ADHS/DBHS have implemented a number of changes to build a stronger behavioral health program which increases the focus on whole-person health, reduces stigma, and enhances service delivery of behavioral health services. Effective April 1, 2015, the first integrated care contract was implemented between ADHS/DBHS and a RBHA wherein an adult with a diagnosis qualifying him to be in the population of "Adults with Serious Mental Illness" could elect to receive both behavioral health and medical services from the same RBHA. Effective October 1, 2015, integrated care became available across the state for the non-tribal population diagnosed with serious mental illness.

Also effective October 1, 2015, adult members treated for general mental health and substance abuse issues who are dually-eligible for Medicaid and Medicare were fully-integrated to receive all services (physical and behavioral) through their Acute Care plans, which also participate as Duals Special Needs Plans for Medicare. For members who are aligned for Medicaid and Medicare with the same health plan, all of those members' services provided through both payer systems will be integrated. Non-dual adults and all children will continue to receive their behavioral health services through TRBHAs or RBHAs.

Beginning July 1, 2016, DBHS and AHCCCS consolidated the administration of physical and behavioral health services under one agency. Furthering the goal of integration, beginning with FY 2017 Arizona implemented a Value Based Purchasing Initiative that increases by 10% reimbursement to Integrated Cinics for select physical health services. This initiative is designed to incentivize behavioral health outpatient clinics to become Integrated Clinics and include more physicial health services in the service mix.

As shown below, from FFY 2009 to FFY 2017, the total number of behavioral health services providers decreased by 11% in urban areas and rose by nearly 3% in rural areas. Overall service utilization increased 181%, based on the number of FFS claims, indicating that AHCCCS recipients were still able to utilize services.

AHCCCS-Enrolled BHS Providers									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	2,604	2,690	2,628	1,983	1,764	1,778	2,135	2,410	2,319
Rural	922	919	947	778	698	698	816	880	947



BHS FFS Claims								
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16
BHS Clinic/Outpatient	133,419	153,115	182,947	189,644	287,365	360,454	370,741	381,289
BHS Individual Practitioners	18,541	25,738	28,795	24,830	23,796	21,955	19,944	23,118
BHS Inpatient Facility	6,449	7,252	8,024	12,115	21,148	22,487	25,434	33,180
Substance Abuse	497	2,110	6,733	7,702	5,948	7,375	6,446	9,037
Total	158,906	188,215	226,499	234,291	338,257	412,271	422,565	446,624

AHCCCS reimburses behavioral health providers based on two behavioral health fee schedules: inpatient and outpatient. For the purpose of this report, we also focus specifically on four categories of behavioral health services: Clinic/Outpatient Providers, Individual Practitioners, Inpatient Facilities, and Substance Abuse Services. The first two are reimbursed primarily through the outpatient fee-schedule. Inpatient facilities are reimbursed primarily through the inpatient fee schedule. Substance abuse services are reimbursed through a combination of the fee schedules depending on the type of service provided. More detail is presented below.

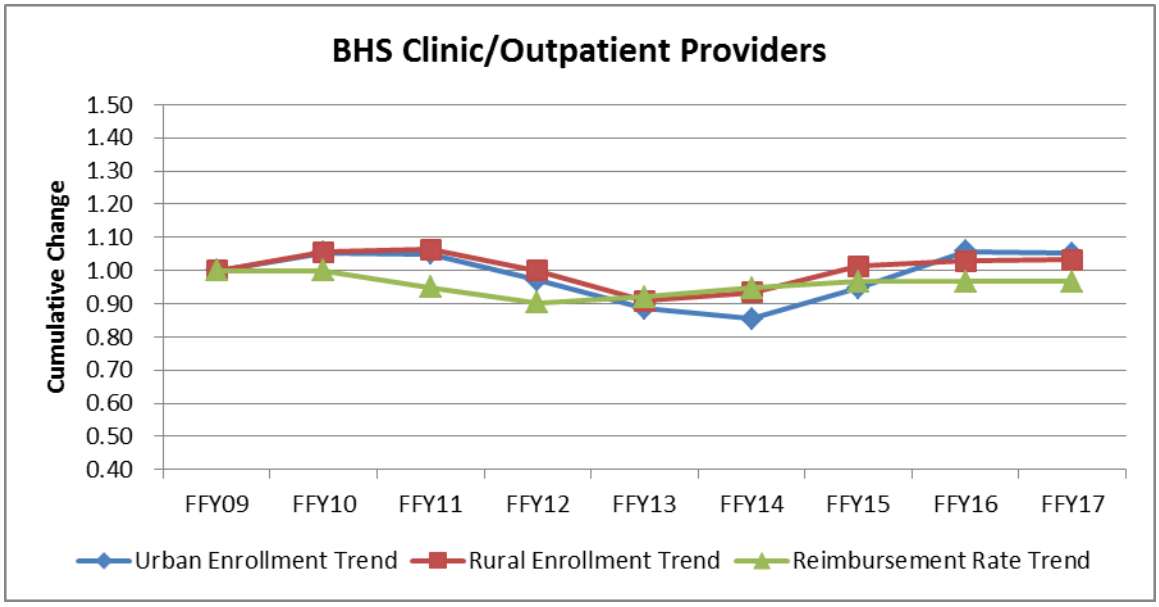
Behavioral Health Outpatient Fee Schedule

The behavioral health outpatient fee schedule, which provides the vast majority of reimbursement for Individual Practitioners and Clinic/Outpatient Providers, was subject to the rate reductions implemented in fiscal years 2009, 2011, and 2012. Though no access to care issues resulted, that fee schedule has since received several increases – 2% for April 1, 2013, 3% for October 1, 2013, and another 2% for October 1, 2014 to recover some of the lost rate level. For FY 2017, AHCCCS updated its Behavioral Health Outpatient fee schedule using reimbursement rate information from the contracted health plans as part of the analysis. The result is a fee schedule that better approximates the current market.

From FFY 2009 to FFY 2017, there were some fluctuations in the number of BHS Clinic/Outpatient Providers, some of which was driven by a licensing rule change which

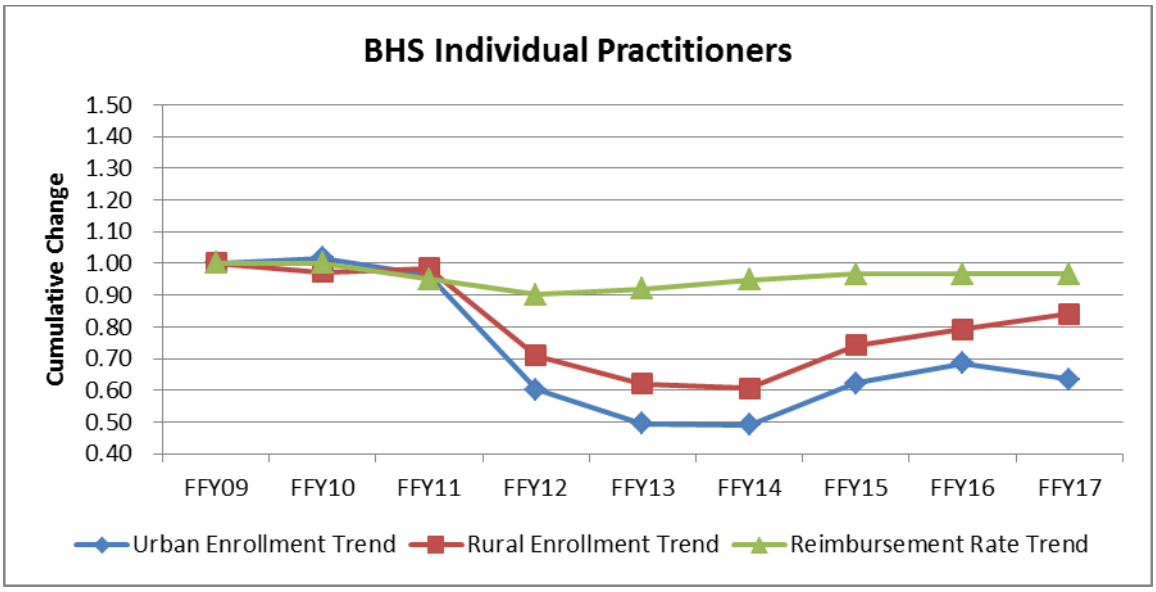
combined Levels 2 and 3 residential services into one category. The number of providers and a comparison to the changes in rates for BHS Clinic/Outpatient Providers is shown below.

AHCCCS-Enrolled BHS Clinic/Outpatient Providers									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	702	740	737	682	621	600	665	742	739
Rural	284	300	302	284	258	265	288	292	293



During the same period of time, the number of AHCCCS-enrolled BHS individual practitioners declined significantly from FFY 2009 to FFY 2014. While there has been some increase since FFY 2014, the enrollment has not returned to FFY 2009 levels as shown below.

AHCCCS-Enrolled BHS Individual Practitioners									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	1,711	1,741	1,646	1,032	847	840	1,065	1,172	1,085
Rural	525	511	517	372	326	318	390	416	442



Despite the decline in AHCCCS-enrolled BHS individual practitioners, a review of the utilization indicates that there were no access to care issues during this time frame. Similar services can be obtained through Clinic/Outpatient providers. As a whole, the utilization of individual practitioners + Clinic/Outpatient providers increased by 157% over this seven year period.

A comparison between the AHCCCS rates and the current market rates, as indicated by prevailing rates paid for services by the RBHAs, has shown that the AHCCCS behavioral health outpatient rates are 81% of the median rate paid by RBHAs. AHCCCS specifies three places of service on the behavioral health outpatient fee schedule: in office, out-of-office, and home. On the AHCCCS outpatient behavioral health fee schedule, office reimbursement was reimbursed at 80% of the average MCO rates, out-of-office at 100% of the average MCO rates, home at 81% of the average reimbursement rates, and unspecified place of service at 74% of the average MCO rate.

Although Medicare does not have its own separate behavioral health outpatient fee schedule, it does cover a number of outpatient behavioral health services on the physician fee schedule. A comparison of these codes show that AHCCCS pays 86% of Medicare rates.

No access to care issues have been found at this rate level.

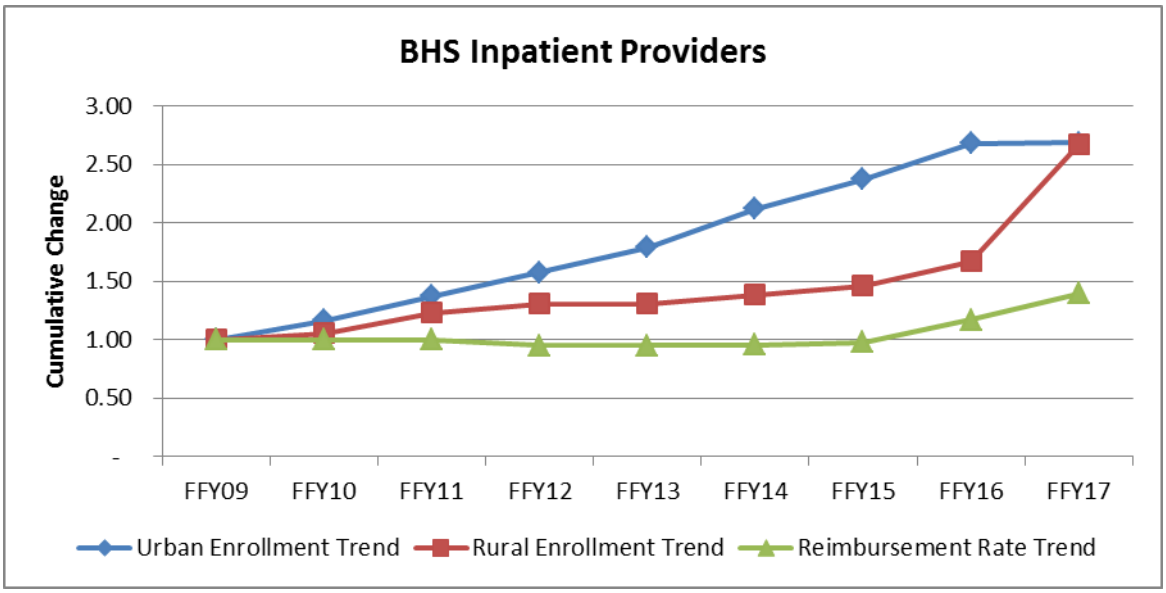
Behavioral Health Inpatient Fee Schedule

The behavioral health inpatient fee schedule was subject to the rate reductions implemented in fiscal years 2009 and 2012. Subsequently, that fee schedule remained largely unchanged until October 1, 2014 when the rates were increased by 2% at the direction of the state legislature. In FFY 2015, a comparison between the AHCCCS rates and the market rates, as indicated by prevailing rates paid for services by the RBHAs and TRBHAs, revealed that the AHCCCS behavioral health inpatient rates were on average less than 75% of the market. AHCCCS elected to move its FFS rates closer to the prevailing rates. For that purpose, the AHCCCS inpatient behavioral health fee schedule for FFY 2016 was an increase of 19.6% over the prior year.

More than 95% of the total annual reimbursements for inpatient behavioral health services are to psychiatric hospitals, acute care hospitals, and sub-acute facilities with 1 to 16 beds.

Since 2009, the number of BHS inpatient facilities has more than doubled, increasing from 142 to 381 in urban areas from FFY 2009 to FFY 2017. During that same time period, rural inpatient facilities increased from 39 to 104. A year-by-year comparison is below as well as a chart which illustrates the rate trend over several years compared to the number of enrolled providers of these types.

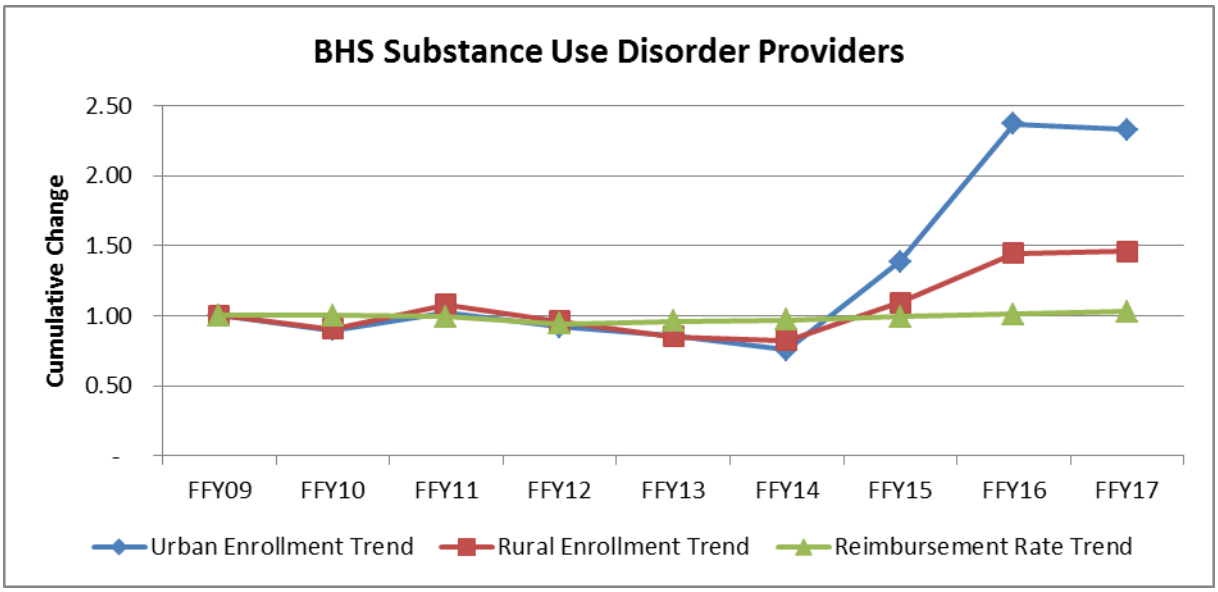
AHCCCS-Enrolled BHS Inpatient Facilities									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	142	165	195	224	254	301	337	380	381
Rural	39	41	48	51	51	54	57	65	104



Substance Abuse Services

From FFY 2009 until FFY 2017, the number of substance use disorder providers more than doubled in urban areas and grew by 46% in rural areas despite rate decreases in some of these years. Substance use disorder providers are paid from both the inpatient and outpatient behavioral health fee schedules. A table of the number of providers in recent years as well as a comparison to the rate schedules is below.

AHCCCS-Enrolled BHS Substance Use Disorder Providers									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	49	44	50	45	42	37	68	116	114
Rural	74	67	80	71	63	61	81	107	108



A comparison between the AHCCCS rates and the current market rates, as indicated by prevailing rates paid for services by the Managed Care Organizations, has shown that the AHCCCS rates for outpatient services are 82% of the median rate paid by MCOs. The AHCCCS rates for inpatient services are equal to the average rate paid by the MCOs in FFY 2015. No access to care issues have been identified at this rate level.

Analysis of Pre- and Post-Natal Obstetric Services

In Arizona almost 100% of Medicaid covered pre- and post-natal obstetric services are paid for through a capitated managed care arrangement, including the costs associated with labor and delivery. Because these services are not paid through FFS, we are not including a review analysis of pre-and post- natal obstetric services as part of this access review monitoring plan submission.

Analysis of Home Health Services, including Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS)

42 CFR § 447.203 defines home health services as including the following: 1) nursing services provided by a home health agency; 2) home health aide service provided by a home health agency; 3) physical therapy, occupational therapy, or speech pathology and audiology services provided by a home health agency; and 4) medical supplies, equipment, and appliances suitable for use in the home.

Since DMEPOS may or may not be provided by a home health agency and these services are reimbursed on a separate rate schedule, we discuss these services separately below.

Services Provided by Home Health Agencies, exclusive of DMEPOS
There are two main groups of AHCCCS members who receive services provided by home health agencies: individuals who are elderly and/or have physical disabilities (EPD) and individuals with developmental disabilities served through the Arizona Department of Economic Security, Division of Developmental Disabilities (DDD). By definition, these services are provided in beneficiaries' homes. Thus, rates do not differ by place of service. EPD services are handled through several managed care organizations.

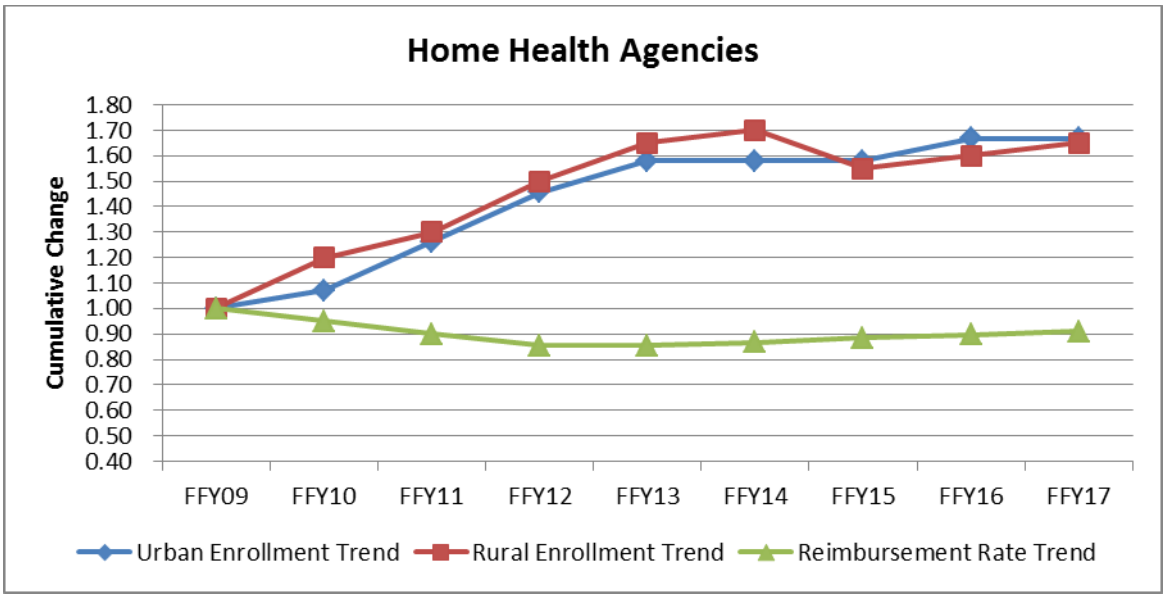
Excluding DMEPOS, AHCCCS spends approximately $82 million annually on home health agencies, of which less than $500,000 (less than 1%) is on the fee-for-service population.

As the Arizona economy continues to improve, home health agencies are experiencing increased challenges to attracting individuals to work in direct care, which is more demanding on both a training and a day-to-day work basis than jobs that pay comparable salaries.

The number of AHCCCS-enrolled home health agencies has increased by nearly 67% in urban areas and 65% in rural areas from FFY 2009 until FFY 2017 as illustrated below. Claims also increased during this time period, more than doubling from FFY 2009 to FFY 2016.

AHCCCS-Enrolled Home Health Agencies									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	57	61	72	83	90	90	90	95	95
Rural	20	24	26	30	33	34	31	32	33

Home Health Agencies Claims								
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16
Home Health Providers	518	584	559	388	626	1,010	1,300	1,172



AHCCCS FFS reimbursement rates for home health agencies were increased by 1.5% on October 1, 2013, 2% on October 1, 2014, by 1.5% on October 1, 2015, and by another 2.0% on October 1, 2016.

In 2016, the voters approved Proposition 206 increasing the state's minimum wage. This law increases the current hourly minimum wage of $8.05 in 4 steps to $12.00 in 2020 beginning with an increase to $10.00 in 2017. The rate will thereafter increase in each subsequent year by the cost of living. Home Health agencies are sensitive to changes in the minimum wage, due to a high percentage of employees at or near the minimum wage. AHCCCS identified the fiscal impacts related to this issue and implemented selective rate adjustments. Rate increases for select Home and Community Based Fee Schedule rates were increased by 7%, and Nursing Facility Per Diem rates were increased by 3.5% across-the-board as of January 1, 2017 when the law when into effect.

As illustrated below, AHCCCS FFS rates compare well to the average AHCCCS MCO rates for the four most frequently utilized home health service procedure codes. Together, these four procedure codes account for 97% of AHCCCS FFS reimbursements to home health agencies. Amounts are broken out by Geographic Service Area (GSA). GSAs 02, 04, 06, 08, and 14 are located in rural areas of the state. GSA 12 is an urban area and GSA 10 covers both an urban a rural area of the state.

Comparison of MCO Rates to AHCCCS Rate for Home Health Agencies							
GSA	02	04	06	08	10	12	14
Procedure Code	G0299	G0299	G0299	G0299	G0299	G0299	G0299
MCO Rate	$95.84	$41.12	$40.86	$35.74	$29.09	$29.16	$27.18
AHCCCS Rate	**$23.57**	**$23.57**	**$23.57**	**$23.57**	**$23.57**	**$23.57**	**$23.57**

GSA	02	04	06	08	10	12	14
Procedure Code	S5125	S5125	S5125	S5125	S5125	S5125	S5125
MCO Rate	$3.51	$3.82	$3.60	$3..63	$3.52	$3.63	$3.42
AHCCCS Rate	**$4.45**	**$4.45**	**$4.45**	**$4.45**	**$4.45**	**$4.45**	**$4.45**

GSA	02	04	06	08	10	12	14
Procedure Code	S9123	S9123	S9123	S9123	S9123	S9123	S9123
MCO Rate	$56.33	$69.79	$61.46	$64.25	$40.17	$53.27	$62.43
AHCCCS Rate	**$61.68**	**$61.68**	**$61.68**	**$61.68**	**$61.68**	**$61.68**	**$61.68**

GSA	02	04	06	08	10	12	14
Procedure Code	S9131	S9131	S9131	S9131	S9131	S9131	S9131
MCO Rate	$135.00	$126.74	$114.24	$126.93	$95.34	$93.07	$129.78
AHCCCS Rate	**$111.22**	**$111.22**	**$111.22**	**$111.22**	**$111.22**	**$111.22**	**$111.22**

Durable Medical Equipment, Prosthetics, Orthotics and Supplies

Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) rates are based on the corresponding Medicare fee schedule. The key provider types reimbursed by this fee schedule are DME suppliers (74.5% of the annual total) and optometrists (14.5% of the annual total).

The chart below indicates a downward trend in the number of DME suppliers enrolled with AHCCCS, reflecting a continuing industry-wide trend toward consolidation.[8] Among the factors influencing the trend is the Medicare DMEPOS Competitive Bidding Program. Under this program, DMEPOS suppliers submit bids to provide medical equipment for Medicare users in certain areas and only the winning bidders can receive reimbursement from Medicare for DMEPOS.

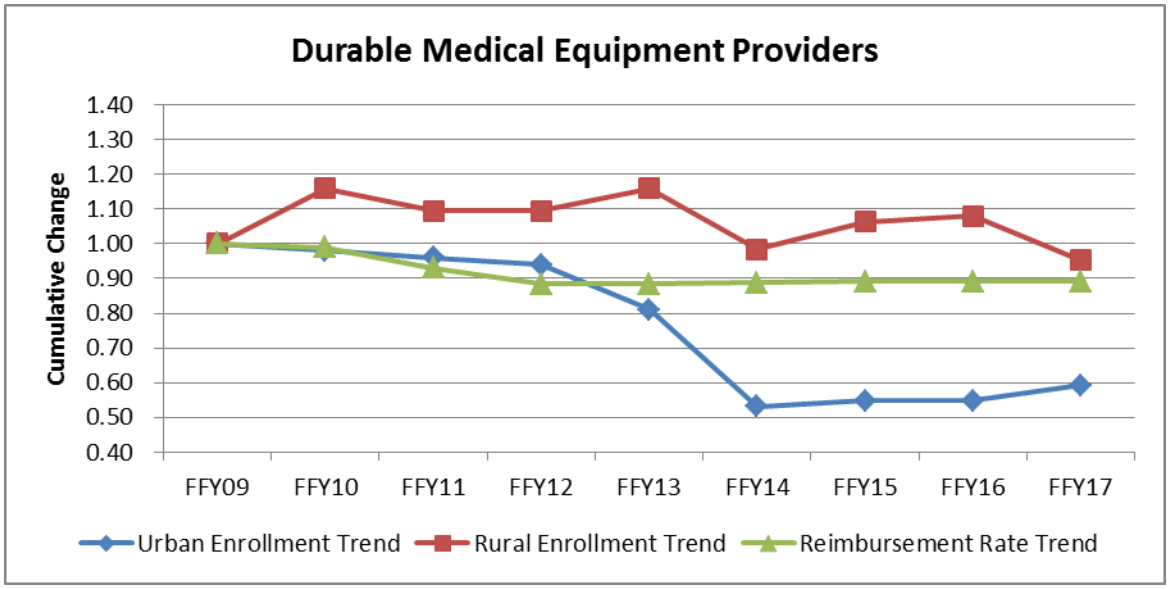
While the program's intent was to reduce the DMEPOS costs for Medicare, it has had the effect of hindering access to oxygen and related equipment for American Indian members in very rural areas. The competitive bidding process reduced the number of DMEPOS providers in Arizona and resulted in some providers greatly reducing their staffing levels. The Centers for Medicare and Medicaid did not include all of the Arizona zip codes in the bidding process, leaving certain rural areas without a Medicare contracted DMEPOS provider. With the omission of certain rural areas, particularly in American Indian reservation communities in Northern Arizona, and the layoffs from DMEPOS providers, DMEPOS providers have not found it cost effective to travel, in some cases, very large distances in order to supply Medicaid and dually eligible members with needed DMEPOS items. CMS has been made aware of the issue by Indian Health Service and Tribal stakeholders. AHCCCS has been in communication with the CMS regional office regarding the issue.

[8] Graham, Peg. "Smart durable medical equipment: An investment opportunity flying under the radar." *Becker's Hospital Review.* 22 October 2014. http://www.beckershospitalreview.com/hospital-management-administration/smart-durable-medical-equipment-an-investment-opportunity-flying-under-the-radar.html

AHCCCS has succeeded in adding an out-of-state DME provider to its provider network for northern areas of the state, and AHCCCS continues to work with Indian Health Services, Tribal 638 facilities, and other providers to ensure that members receive access to DMEPOS services.

Additional information about DMEPOS providers and claims is below.

AHCCCS-Enrolled DMEPOS									
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16	FFY17
Urban	201	197	193	189	163	107	110	110	119
Rural	63	73	69	69	73	62	67	68	60



DMEPOS Claims								
	FFY09	FFY10	FFY11	FFY12	FFY13	FFY14	FFY15	FFY16
Any Provider Type	39,319	41,593	40,463	38,598	39,941	36,236	38,371	39,127

In FFY 2016, AHCCCS FFS DME rates were 82.3% of Medicare DME rates for non-IHS/Tribal 638 sites of service and 91.2% of Medicare DME rates for IHS and Tribal 638 facilities.

The table below illustrates the comparison over several fiscal years.

AHCCCS FFS Rates as a Percentage of Medicare Rates				
	FFY13	FFY14	FFY15	FFY16
Overall	83.9%	83.8%	83.5%	82.3%
IHS and Tribal 638 Providers	92.9%	92.8%	92.5%	91.2%