ACCESS TO CARE 2014 PROJECTION FOR FFY 2015

September 2014

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

TABLE OF CONTENTS

INTRODUCTION

As AHCCCS looks to the upcoming contract year, the adequacy of the provider network is a major consideration in rate-setting. Statutory requirements in section 1902(a)(30)(A) of the Social Security Act direct the State to have "methods and procedures . . . to assure that payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers so that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area."

This report will take a multi-faceted look at the four main issues that affect access to care:

- Membership
- Arizona Economy
- Provider Rates
- Managed Care Oversight
  - Provider Network Requirements
  - Quality Management

AHCCCS MEMBERSHIP

Overview

The Arizona Health Care Cost Containment System (AHCCCS), the state's Medicaid agency, uses federal, state, county, and provider assessed funds to provide health care coverage to the state's acute and long-term care Medicaid populations, and low-income families. Since 1982, when it became the first statewide Medicaid managed care system in the nation, AHCCCS has operated under a federal Research and Demonstration 1115 Waiver which allows for the operation of a total managed care model.

AHCCCS selects contracted managed care organizations (MCOs) via a highly competitive request for proposal (RFP) process. Prospective capitation payments are made to these MCOs which are responsible for the delivery of medically necessary care to members. The result is a managed care system that mainstreams recipients, allows them to choose their providers, and encourages quality care and preventive services.

After several years of decreasing membership as a result of an enrollment freeze that was instituted on waiver members beginning in July 2011, AHCCCS enrollment as of August 2014 has grown by approximately 300,000 members since January 2014 when Governor Brewer's Medicaid Restoration Plan became effective. Under that plan, coverage was restored for childless adults under 100% FPL formerly covered under the 1115 waiver for whom enrollment had been frozen. Coverage for new adults between 100-133% FPL also became effective on January 1, 2014.

AHCCCS Acute Care

The majority of Acute Care Program recipients are children and pregnant women who qualify for the federal Medicaid Program (Title XIX). While most AHCCCS members are required to enroll in contracted health plans, American Indians and Alaska Natives in the Acute Care Program may choose to receive services through the American Indian Health Program, AHCCCS' fee-for-service program. AHCCCS also administers an emergency services program for individuals who, but for immigration status, would qualify for full AHCCCS benefits.

ALTCS

The Arizona Long Term Care System (ALTCS) provides acute care, behavioral health services, long-term care, and case management for individuals who are elderly, who have a physical disability, or who have a developmental disability, and who meet the criteria for institutionalization. While ALTCS members account for less than 4.0% of the AHCCCS population, ALTCS services account for approximately 26.0% of AHCCCS expenditures. The ALTCS program encourages delivery of care in alternative residential settings. As in the Acute Care Program, ALTCS members of all ages receive care through contracted health plans.

KidsCare

The Children's Health Insurance Program (CHIP), known as KidsCare in Arizona, offers affordable insurance coverage for low income families. Children under age 19 may qualify for the program if their family's income exceeds the limit allowed for Medicaid eligibility, but is below 200% of the Federal Poverty Level (FPL). An enrollment freeze has been in place since January 2010. Federal authority under the 1115 demonstration allowed for temporary KidsCare coverage, but this authority expired in 2014 with the start date for the Federally Facilitated Marketplace. Today, KidsCare enrollment is approximately 1,900. Families with children over income for Medicaid can apply for subsidies on the Marketplace.

Additional Program Detail

AHCCCS administers a Freedom to Work Program and a Breast and Cervical Cancer Treatment Program. These are considered Acute Care programs and included in Acute Care Program enrollment numbers.

Membership Fluctuations

Prior to the enrollment changes of 2014 that bring AHCCCS to a record number of enrollees of approximately 1.6 million, AHCCCS membership was at its highest level of 1.3 million members in September of 2011. During that time, there were no access to care issues. Since the AHCCCS provider network continues to grow each year, AHCCCS has not experienced any access to care issues despite the record enrollment.

ARIZONA ECONOMY

In order to understand access to care for AHCCCS members, it is helpful to review the environment in which Arizona health care delivery systems operate and the challenges to be faced in 2015.

Employment

The economy in Arizona is improving. The state unemployment rate dropped from a high of 10.8% in 2010 to a rate of 6.9% in June 2014. Although Arizona's rate of job growth is growing, it is still behind the US average, according to Lee McPheeters of the W.P Carey School of Business.

> *While the United States overall has already regained 99 percent of the jobs it lost in the recession, Arizona has only regained 56 percent of its 312,600 jobs lost in the downturn. We've seen a good comeback, so far, in finance, food service and administrative support, with health care also appearing almost recession-resistant. However, our construction, manufacturing, government and retail jobs still have a long way to go.*

Additionally, job recoveries for lower-income residents are not being added back to the economy as quickly as more skilled positions. Dennis Hoffman, economics professor and director of the L. William Seidman Research Institute at the W. P. Carey School, explains "Since the early 1990s, we have seen post-recession job recovery among knowledge workers and specialists whose jobs cannot be replaced by robots," Hoffman said. "But for everyone else, employment continues to decline. Those jobs are never coming back."

Full recovery is still years away; Arizona should be back to pre-recession employment levels in 2-3 years.

Real Estate

The Arizona housing market has slowed and shown signs of stagnation in 2014. The years 2011 through 2013 were a period of surging prices and falling foreclosures in the Phoenix housing market, driven largely by investors and cash buyers rather than the typical Arizona family. In April 2014, the investors' market share was only 16.7 percent, a drop from its peak of nearly 40 percent of all home sales in June 2012. At the same time, regular buyers have been slow to return to the market.

The underlying key problem for entry-level and mid-range housing demand is lack of household formation due to many factors, including employment, falling birth rates, lower net migration and greater home-sharing, especially among millennials. -- Michael Orr

According to a June 2014 report by Michael Orr, Director of the Center for Real Estate Theory and Practice at the W. P. Carey School of Business, the median single-family home price in June 2014 was an increase of 11 percent from the same time last year, and the price per square foot rose 10 percent in the same time period. However, that growth rate was smaller than in the previous three years. Orr predicts that the market is unlikely to see more forward movement in 2014.

State Budget

The Arizona Joint Legislative Budget Committee (JLBC) reports that general fund ongoing revenues for state fiscal year 2014 were 2.1 percent greater than fiscal year 2013. Adjusting for the estimated cost of tax law changes, underlying base fiscal year 2014 revenue growth was approximately 2.8 percent. According to JLBC, this represents the lowest growth rate since fiscal year 2010, when the state posted a revenue decline. In fact, general fund revenues for fiscal year 2014 fell short of the enacted forecast by $113 million, primarily due to low corporate income and sales tax collections. Mitigating this somewhat, JLBC estimates that fiscal year 2014 general fund spending will fall below the budgeted level by $47 million, primarily due to lower than expected spending by AHCCCS.

The JLBC report warns that the combination of a lower-than-projected ending balance from fiscal year 2014 and lower-than-expected revenue collections could result in a large fiscal year 2015 budget shortfall. In addition, recent information released by the executive and legislative budget offices suggests that state revenues are coming in below expectations.

The fiscal environment will require AHCCCS to closely monitor the state budget throughout the rest of 2014 and into 2015.

PROVIDER RATES

Overall, the number of AHCCCS providers has increased in the past few years. On Jan. 1, 2010, there were 55,503 total providers in the AHCCCS provider database. This number grew to 55,950 at the start of 2012, and 56,623 by the start of 2013. As of January 2014, AHCCCS providers totaled 60,283.

Annually, AHCCCS compares its total roster of providers to claims and encounters received during the prior two year period. Providers who have not submitted at least one claim or encounter within a two-year time period are terminated as AHCCCS providers. AHCCCS sent out more than 4,000 such notices this past year. A significant portion of these

inactivated providers re-register despite the lack of activity – a clear indication of the provider's continued willingness to provide services to beneficiaries. AHCCCS does not track the reasons these providers do not submit claims for such an extended timeframe, but some of these factors include providers ceasing operations or the reorganization of provider groups. Even with the potential of 4,000 providers leaving the database each year, AHCCCS' provider network continues to grow.

Hospitals

Fee-For-Service Reimbursements

In 2012, AHCCCS contracted with Milliman to perform a detailed solvency evaluation of each AHCCCS contracted hospital in Arizona. The purpose of this study was to assess the impact of AHCCCS rates on access to care, specifically looking for hospitals that might opt out of the AHCCCS system based upon rate issues.

The study found that projected 2013 AHCCCS payment rates were expected to more than cover most hospitals' variable costs, an indication that hospitals would not terminate participation in AHCCCS networks.

The following table was presented in the Milliman report of 2012. It summarized the projected 2013 AHCCCS payment-to-cost ratio for the studied hospitals. Milliman estimated that a reasonable variable cost percentage for Arizona hospitals is 45%.

Hospital Counts by Ranges of Payment-to-Cost Ratios

Full Costs

	FFY 2011		FFY 2012		FFY 2013	
Payment-to-Cost Ratio	Hospital Count	% of Hospitals	Hospital Count	% of Hospitals	Hospital Count	% of Hospitals
80% +	43	49%	25	20%	20	23%
60% - 79%	35	40%	47	54%	42	48%
50% - 59%	5	6%	8	9%	17	20%
40% - 49%	3	3%	6	7%	7	8%
30% - 39%	1	1%	1	1%	1	1%
<30%	0	0%	0	0%	0	0%

Ninety-one percent of AHCCCS hospitals had a projected payment-to-cost ratio above 50% in 2013. For these hospitals, Milliman predicted that AHCCCS 2013 payments would likely exceed variable hospital costs. Seven hospitals had projected AHCCCS payments falling between 40% and 49% of full costs. The hospital that was projected to fall in the 30% range and one of the hospitals in the 40% range were new facilities with costs that were likely elevated from initial start-up expenses.

For fiscal year 2014, inpatient reimbursement rates were maintained, while outpatient hospitals rates increased by 1.2% in aggregate.

Beginning October 1, 2014, AHCCCS will replace its 20-year-old tiered per diem reimbursement methodology with an APR-DRG methodology. This change is intended to improve patient safety and health outcomes for AHCCCS members by adopting a reimbursement framework which emphasizes quality rather than quantity of care.

The change to APR-DRG will be budget-neutral in aggregate, maintaining AHCCCS' current total hospital expenditures. The implementation plan also includes provider-specific transition factors calculated to minimize reimbursement impacts, keeping each hospital as close as possible to its current reimbursement level.

The APR-DRG methodology will not apply to Long-Term Acute Care Hospitals or Rehabilitation Hospitals, which will continue to be reimbursed on a per diem basis and will not experience a change in reimbursement rates for 2014. Psychiatric Hospitals will also remain outside the APR-DRG system, and will receive a two percent increase to their per diem rates, by direction of the state legislature.

Supplemental Payments

Milliman estimated the 2013 statewide payment-to-cost ratio would be 0.840. That was an increase from the 2011 actual ratio of 0.822. The driver behind the increase was the Safety Net Care Pool (SNCP) that added $276 million, $245 million, and $60 million in SNCP payments in 2012, 2013, and 2014, respectively. In 2013 and 2014, an additional $323 million and $94 million were added into hospital supplemental payments through the City of Phoenix assessment. Up to an additional $122 million may be made to Phoenix Children's Hospital (PCH) in 2014 due to a SNCP extension specific to PCH. This influx of payment into the Arizona hospital system will bring the statewide payment-to-cost ratios into the high 80 percent range for the first quarter of FFY 2014.

The 2014 AHCCCS restoration and Medicaid expansion has brought an additional 300,000 uninsured residents into Medicaid coverage. This coverage will be funded through a hospital assessment. The net effect of the assessment cost to the hospitals and the additional revenue they will receive from these previously uncovered individuals is approximately $358 million for the three affected quarters of 2014.

Organ Transplant Services

There is a small number of Arizona hospitals certified to perform various organ transplants, allowing AHCCCS' members to stay in the state for needed services. These hospitals have direct contracts with AHCCCS which MCOs may also use. Contracted hospitals' transplant rates were increased by 3% effective October 1, 2013, and by an additional 2.57% effective October 1, 2014, helping to assure access to these locally-based services.

Federally Qualified Health Centers

FQHCs are a critically important part of our health care system and represent a valuable source of primary care for AHCCCS members. The Health Resources and Services Administration reports the following statistics for Arizona FQHCs:

	2009	2010	2011	2012	2013
Number of FQHCs	16	16	16	16	17
Number of Patients	376,081	384,287	408,737	423,160	438,260
Number of Encounters	1,353,640	1,421,257	1,459,520	1,572,634	1,635,078
Total FTEs	2,705	2,955	3,155	3,345	3,481
Physician FTEs	208	223	234	236	238
NP, PA, and CNM FTEs	106	124	135	145	164
Dental Services FTEs	157	178	192	217	226

The ability for these facilities to absorb more patients is supported by their staffing ratios. Total FTEs per patient and practitioner FTEs per patient have increased in each of the last four years, and increased by 10.4% and 14.4% respectively from 2009 to 2013. It is expected that the existing centers will increase access to care for Medicaid.

Two more FQHCs have been established in Arizona in 2014, bringing the total number of operating FQHCs to 19. In addition, Arizona has 8 Rural Health Clinics (RHCs), and a provider-based FQHC Look-Alike with 22 clinics operating in the state's largest county. In all, these FQHCs and RHCs comprise 150 separate sites of service available to provide care to AHCCCS members.

According to the US Government Accountability Office, the Benefits Improvement and Protection Act of 2000 (BIPA) "established a prospective payment system (PPS) for Medicaid payments to Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC), giving providers a financial incentive to operate efficiently." States also may use an alternative methodology if the resulting PPS rate is no less than the BIPA PPS rate. Arizona uses the alternative methodology, paying clinics a full cost PPS rate. Therefore, these safety-net providers are eager to have AHCCCS clients.

PPS rates were rebased effective October 1, 2013, in accordance with Arizona's State Plan, increasing FQHC/RHC rates by 6.6% in aggregate. Also pursuant to the State Plan, effective October 1, 2014, these rebased rates will be increased by 1.38% across-the-board.

Benchmark**:** The AHCCCS statewide average PPS rate is $229.40. The statewide average BIPA PPS rate is $138.27. The average AHCCCS PPS rate is 66% higher than the average BIPA PPS rate.

Physicians

The Kaiser Foundation reports that there are 16,281 professionally active physicians in Arizona. More than 90% of those are enrolled with AHCCCS to provide services to Medicaid members.

The Affordable Care Act anticipated a need for more Medicaid providers due to Medicaid expansion. In order to help ensure sufficient access to Medicaid as enrollment increases, the health reform law required states to raise their Medicaid fees to Medicare levels for calendar years 2013 and 2014, for family practice physicians, internists, and pediatricians for many primary care services. Physicians in both fee-for-service and managed care environments receive the enhanced rates.

While the enhanced rates are favored by practitioners, AHCCCS data indicates that enhanced reimbursement is not necessary to maintain the provider network. Even during periods of rate reductions and freezes in prior years, the AHCCCS physician provider network increased each year.

Benchmark: For physician reimbursement, AHCCCS rates in 2014 were 82% of Medicare in aggregate, exclusive of the enhanced reimbursement rates mandated by ACA Sec. 1202.

Dentists

The Kaiser Foundation reports that, as of September 2014, there are 3,767 professionally active dentists in Arizona, an increase of nearly 6% from the same time in 2012. Nearly 50% of that number are enrolled with AHCCCS to provide services to Medicaid members. The total number of AHCCCS enrolled dentists has steadily increased over the last five years, even during periods of rate reductions and freezes, from 1,606 in 2010 to 1,817 in 2014.

With a population of more than 6.6 million, Arizona has 1 dentist for every 1,759 residents. By comparison, AHCCCS has 1 enrolled dentist for every 714 members, exceeding the standard of "[A]t least to the extent that such care and services are available to the general population in the geographic area."

The numbers above are averages, and the dentist-to-member ratio does vary among the regions of the state, particularly between rural and urban areas. The AHCCCS managed care contracts ensure the closest possible access to dental providers for our population.

Effective October 1, 2013, AHCCCS increased dental rates by 2% in aggregate, targeting preventive and basic restorative services with increases up to 3.2%. AHCCCS has determined that there will be no adjustment to dental rates for October 1, 2014.

Benchmark: AHCCCS Dental rates compare favorably to neighboring states. The AHCCCS rates are, in aggregate, 7% higher than Nevada, 18% higher than New Mexico, and 46% higher than Utah.

Transportation

AHCCCS establishes reimbursement rates for air ambulance services and for ground ambulance services provided by out-of-state companies, companies operated by American Indian tribes, and federal agencies such as the National Park Service that operates ambulances in Grand Canyon National Park and Lake Meade National Recreation Area.

Air Ambulance rates were initially established based on a study of air ambulance costs and are adjusted periodically based on the Consumer Price Index for Other Medical Professionals, the CPI for Transportation, and the Federal Aviation Administration forecast of jet fuel prices.

Ground ambulance rates set by AHCCCS were initially established based on the average (mean) reimbursement rates paid by commercial insurance companies and are adjusted periodically based on the Consumer Price Index for Medical Services, the Consumer Price Index for Other Medical Services and the price of gasoline in Arizona.

The majority of AHCCCS emergency ground transportation services are regulated by the Arizona Department of Health Services, Bureau of Emergency Medical Services. ADHS/BEMS also establishes reimbursement rates for the providers of these services, and AHCCCS reimburses the providers at a percentage of the ADHS/BEMS established rate. The percentage applied effective October 1, 2014 will be 74.74%, a 9% increase over the percentage required in the prior year. Combined with rate increases received by these providers from ADHS/BEMS during the year, AHCCCS reimbursement for emergency ground ambulance services is expected to increase by 11.3%. This follows a 2.5% rate increase effective October 1, 2013.

Benchmark: Emergency transportation rates set by AHCCCS compare favorably to neighboring states. The AHCCCS rates are, on average, 47% higher than Nevada and 59% higher than New Mexico.

Nursing Facilities

In August 2014, there were 146 licensed nursing facilities in Arizona; 134 (92%) of these are AHCCCS registered providers. Arizona nursing facilities reported for 2013 an average occupancy rate of 72.5%, a slight increase over the 2012 average of 71.7%. Despite the increase, Arizona's occupancy rate for nursing facilities remains low compared to the national average. This general availability of nursing facility beds will keep AHCCCS rates adequate to maintain the network of providers.

AHCCCS works closely with the Nursing Facility Associations, keeping close touch with the industry through regularly scheduled meetings.

Legislation passed in 2012 calls for a provider assessment on nursing facilities and a resulting federally-matched distribution to nursing facilities that totals approximately $50

million per year for contract years 2013 and 2014, and $70 million for contract year 2015. Additionally, Nursing Facility rates have seen modest growth in the past two rate-setting cycles. Rates were increased by 1.5% effective October 1, 2013 as a cost of living adjustment, and increased again by 2% effective October 1, 2014, pursuant to a legislative mandate.

Benchmark: Arizona pays three levels of care for urban and rural providers. The weighted average of these rates is $156.43 per day. This compares well to the New Mexico average rate of $155.34 and the Nevada average rate of $156.86.

Ambulatory Surgery Centers

ASCs provide services in facilities specifically designed to perform selected outpatient surgical services. ASCs consistently perform as well as, if not better than, hospital outpatient departments when quality and safety are examined. The number of Medicare certified ASCs has grown at an average annual rate of 8.3%. One of the reasons ASCs have been so successful is they offer valuable surgical and procedural services at a lower cost when compared to hospital charges for the same services. A 2004 study of Medicare HOPD and ASC rates showed that the Medicare program would pay approximately $464 million more per year if all procedures performed in an ASC were instead furnished at a hospital.

Currently, there are 138 licensed ASCs in Arizona, all of which are enrolled with AHCCCS to provide Medicaid services. The number of AHCCCS-enrolled ASCs has remained fairly constant over the last three years. Since AHCCCS pays ASC facilities approximately 50% of the reimbursement rate paid to hospital outpatient surgery departments, there is a large opportunity for savings by improving incentives to move appropriate cases to an ASC setting.

AHCCCS was contacted by the Arizona Ambulatory Surgery Center Association several times during 2011 and 2012 with concerns regarding low rates. AHCCCS responded to those concerns by revising its approach to ASC rate-setting and increasing ASC reimbursement by 8.3% in aggregate for the fee schedule effective October 1, 2012. The Arizona ASCs have capacity to take more AHCCCS patients. Since the ASC rates have the lowest percentage compared to benchmark of the non-hospital rates in this review, there is a potential for significant cost savings while maintaining access to care. For the fee schedule effective October 1, 2014, ASC rates will be increased 6.4% in aggregate.

Benchmark: For ASC reimbursement, AHCCCS rates are currently 85.8% of Medicare in aggregate and 51.1% of the AHCCCS OPFS.

Home and Community-Based Services

Medicaid is the primary – and, in most cases, the only – payer for in home care agencies, unlike Nursing Facilities. This means that AHCCCS rates can be the determining factor in whether these organizations exist and whether there will be enough providers to provide adequate access to care.

As the economy continues to improve, Home and Community-Based Services (HCBS) providers will have increased challenges attracting individuals to work in the direct care, which is more demanding both from a training and day-to-day work basis than jobs that pay comparable salaries.

New federal mandates are also adding financial pressure for providers. The U.S. Department of Labor has passed new requirements related to payment for home care workers when traveling between patients, as well as overtime protections and compensation. In addition, the ACA employer mandate, which increases costs for the smaller HCBS providers, becomes effective January 1, 2015.

There are two groups of members who receive HCBS services: individuals who are elderly and/or individuals with physical disabilities (EPD) and individuals with developmental disabilities served through the Arizona Department of Economic Security, Division of Developmental Disabilities (DDD). While AHCCCS sets HCBS rates for the EPD population, DDD has its own fee schedule for HCBS services.

For the reasons stated above, AHCCCS increased EPD HCBS rates by 2.0% for dates of service on and after October 1, 2014. This increase follows a 1.5% cost of living adjustment for rates effective October 1, 2013. These rates will help to continue the availability of HCBS services for AHCCCS members by supporting the HCBS provider network; these services are less expensive than the institutional services that would otherwise be required.

Elderly and Physically Disabled

The EPD program is for individuals who are 65 or older, blind, or disabled and need ongoing services at an institutional level of care. This program is designed to encourage participants to live in their own homes or in community assisted living facilities by providing needed in-home services. Seventy-three percent of EPD members live in home and community settings. A one percent shift in EPD members residing in nursing facilities rather than the less-costly home and community based alternatives would cost approximately $15 million.

Division of Developmental Disabilities

DDD services help eligible individuals with developmental disabilities achieve self-sufficiency and independence through supports for family members and other caregivers. Because the division aims to support members in integrated community settings, the majority of the division's programs and services are tailored to meet individual needs in home and community environments. Currently, over 99 percent of DDD members reside in HCBS settings.

Under the authority of Arizona Revised Statutes (A.R.S.) § 36-557 and Title 6, Chapter 6, Article 21 of Arizona Administrative Code, DDD is exempt from the state procurement process. Instead, they maintain a list of Qualified Vendors (QVs) or independent providers that members seeking services can use to select a provider. If a member elects, they can

request DDD to issue a 'vendor call' to identify additional providers who can meet the individual member's needs. This strategy was designed to allow DDD to attain a large vendor network to ensure adequate and timely services to its members.

DDD reimbursement rates were increased by 2% on 04/01/2013, by another 3% on 07/01/2013, and again by 2% on 07/01/2014.

MANAGED CARE OVERSIGHT – PROVIDER NETWORK

The AHCCCS Managed Care Contracts, at Section D, "Network Development," require that contractors providing acute care services have a network and the network shall be sufficient to provide covered services within designated time and distance limits. This includes a network such that 90% of its members residing in Maricopa and Pima counties do not have to travel more than 10 miles or 15 minutes to visit a PCP, dentist, or pharmacy unless accessing those services through a Multi-Specialty Interdisciplinary Clinic (MSIC).

AHCCCS also mandates minimum network standards for hospitals in these urban counties for contractors providing acute care services to members. The ALTCS/DDD Contractor must have contracts with a sufficient number of DD Group Homes. ALTCS/EPD and ALTCS/DDD Contractors must have contracts with a minimum number of Nursing Facilities, Assisted Living Centers and a combination of Assisted Living Homes or Adult Foster Care providers by district as identified in Policy.

AHCCCS monitors each contractor's compliance with network standards through quarterly and annual deliverables and annual network plans submitted by each contractor as well as during regular operational and financial reviews. Contractors are required to monitor their networks to ensure provider appointment availability standards for primary care and dental, specialty, and maternity care services are met.

Monitoring Network Losses

AHCCCS tracks the number of providers who leave a contractor's network due to dissatisfaction with rates. This tool was added to the Network Development and Management Policy regarding Access to Care and is reported by all contractors. During 2013, contractors reported the following number of providers as having left AHCCCS contractor provider networks citing rate reductions as the reason for their decision:

- Physicians: 15
- Osteopath: 4
- Mid-levels: 1
- Dentists: 2
- Habilitation Provider: 1
- Nursing Homes: 14
- Non-Emergency Transportation: 1
- Level III Behavioral Health Residential: 3

Contractors are obligated, by contract, to report provider network losses to AHCCCS when a provider had been providing services to a designated population and/or served 5 percent or more of its population. Included in this reporting requirement is notification of any short term gap that is caused by the network change and the process that will be implemented by the contractor to ensure that member's medical needs are met until the gap is filled.

The Division of Health Care Management (DHCM) continues to provide operational and financial oversight of the MCOs that contract with the State of Arizona to provide services to Medicaid enrolled members.

Annual External Quality Review Organization reports required by the Medicaid Managed Care Regulations can be found on the AHCCCS website at:
http://www.azahcccs.gov/reporting/reports/EQR.aspx

Contract requirements can be found on the AHCCCS website at:
http://www.azahcccs.gov/commercial/Purchasing/contracts.aspx

Reporting Guides for MCOs can be found on the AHCCCS website at:
http://www.azahcccs.gov/commercial/ContractorResources/manuals/manuals.aspx

The AHCCCS Contractor Operations Manual can be found on the AHCCCS website at:
http://www.azahcccs.gov/shared/ACOM/default.aspx

Responsibility for monitoring access to care is shared by two units within DHCM: the Operations Unit reviews contractor performance through the Network Development and Management Policy, and the Clinical Quality Management Unit reviews performance measures and quality of care concerns.

QUALITY MANAGEMENT

AHCCCS has a significant sentinel event monitoring system known as the quality-of-care (QOC) process. AHCCCS and its contractors are required to track and trend all member complaints, and identify those complaints that rise to the level of a quality-of-care concern. When a QOC is identified, a contractor must immediately remedy the specific member issue and resolve any care needed today issues. Further, the contractor must trend complaints and QOCs to determine if systemic issue exist and, if so, take action to remedy the systemic issue. See Chapter 900 of the AHCCCS Medical Policy Manual (AMPM) on line at:
http://www.azahcccs.gov/shared/MedicalPolicyManual/MedicalPolicyManual.aspx?ID=contractormanuals

The following tables identify the number and rates per 1,000 of complaints that were determined to meet the definition of a potential quality-of-care issue, categorized as access-to-care that were received, researched and resolved by AHCCCS contractors. The results

indicate a downward trend through 2012 in the DDD number of reported complaints and rates per 1,000. The results also indicate a downward trend through 2012 in the Acute population. That trend was attributed to changes in mandatory processes that were designed to increase contractor responsibility for the management and oversight of the complaint resolution process. The increases appearing in 2013 are attributable to changes in membership as well as extensive outreach and education efforts related to the QOC process and health plan reporting requirements.

Reflected in the Acute program numbers, the Arizona Department of Health Services, Behavioral Health Services (DBHS) initiated an improved system to identify, report and resolve complaints related to the care provided through the behavioral health system. Because members enrolled in the behavioral health system receive their physical health care through the Acute care system, a corresponding complaint may also be included in the Acute care numbers.

AHCCCS continued its focused monitoring and oversight of contractor reporting requirements of neglect, abuse, exploitation and unexpected death cases.

AHCCCS Member Complaints Regarding Contractors

Year	Acute	Population	Rate per 1,000	ALTCS	Population	Rate per 1,000	DDD	Population	Rate per 1,000
2007	2503	973,191	2.57	152	22,802	6.67	35	19,360	1.81
2008	1534	1,018,367	1.51	121	23,853	5.07	20	20,605	0.97
2009	1054	1,100,967	0.96	123	24,916	4.94	73	22,002	3.32
2010	944	1,273,326	0.74	110	27,547	3.99	34	22,854	1.49
2011	1472	1,173,764	1.25	162	27,656	5.86	24	23,800	1.01
2012	1170	1,204,375	0.97	166	28,181	5.89	6	24,858	0.24
2013	1846	1,173,994	1.57	305	28,259	10.79	273	25,828	10.57

The following table documents concerns received by AHCCCS that have been categorized as potential access-to-care (availability, accessibility and adequacy).

AHCCCS QOC Database Statistics

Availability, Accessibility, and Adequacy

Year	Acute	Population	Rate per 1,000	ALTCS	Population	Rate per 1,000	DDD	Population	Rate per 1,000
2007	93	973,191	0.10	25	22,802	1.10	13	19,360	0.67
2008	66	1,018,367	0.06	25	23,853	1.05	5	20,605	0.24
2009	49	1,100,967	0.04	16	24,916	0.64	9	22,002	0.41
2010	14	1,273,326	0.01	6	27,547	0.22	31	22,854	1.36
2011	17	1,173,764	0.01	6	27,656	0.22	4	23,800	0.17
2012	31	1,204,375	0.03	8	28,181	0.28	6	24,858	0.24
2013	31	1,173,994	0.03	47	28,259	1.66	8	25,828	0.31

AHCCCS utilizes Clinical Performance Measures as another method to monitor members' access to care. In the most recent measurement period, the following rates were reported:

Performance Measure	AHCCCS CYE 10 Rates	AHCCCS CYE 11 Rates	AHCCCS CYE 12 Rates	NCQA Medicaid Mean	NCQA Commercial Mean
Acute-care Population					
Medicaid Children's Access to PCPs – 12-24 Months	87.00%	96.80%	97.00%	96.00%	97.90%
KidsCare Children's Access to PCPs – 12-24 Months	96.90%	N/A (5)	N/A (5)	96.00%	97.90%
Medicaid Children's Access to PCPs – 25 Months-6 Years	84.10%	86.90%	87.70%	88.30%	91.60%
KidsCare Children's Access to PCPs – 25 Months-6 Years	89.30%	93.40%	93.90%	88.30%	91.60%
Medicaid Children's Access to PCPs – 7-11 Years	83.50%	89.30%	89.90%	89.90%	92.20%
KidsCare Children's Access to PCPs – 7-11 Years	91.00%	95.30%	95.90%	89.90%	92.20%
Medicaid Children's Access to PCPs – 12-19 Years	83.90%	87.20%	87.70%	88.40%	89.70%
Medicaid Children's Access to PCPs – 12-19 Years	89.30%	93.80%	94.00%	88.40%	89.70%
Medicaid Well Child Visits in the First 15 Months of Life	64.10%	70.20%	67.80%	63.60%	78.20%
KidsCare Well Child Visits in the First 15 Months of Life	67.90%	N/A (5)	N/A (5)	63.60%	78.20%
Medicaid Well Child Visits, 3, 4, 5, 6 Years of Life	67.70%	67.70%	66.80%	72.00%	72.90%
KidsCare Well Child Visits 3, 4, 5, 6 Years of Life	75.90%	72.70%	76.60%	72.00%	72.90%
Medicaid Adolescent Well-Care Visits	42.10%	35.20%	38.00%	49.70%	43.30%
KidsCare Adolescent Well-Care Visits	52.90%	50.60%	55.10%	49.70%	43.30%
Medicaid Annual Dental Visits ages 2-21	64.70%	64.70%	61.80%	N/A (1)	N/A (1)
KidsCare Annual Dental Visits ages 2-19	76.40%	78.10%	77.90%	N/A (1)	N/A (1)
Adults' Access to Ambulatory Services – 20-44 Years	N/A(2)	N/A(2)	N/A(2)	-	-
Adults' Access to Ambulatory Services – 45-64 Years	N/A(2)	N/A (2)	N/A (2)	-	-
Breast Cancer Screening, ages 50-64	N/A(2)	N/A (2)	N/A (2)	-	-
Cervical Cancer Screening	N/A(2)	N/A (2)	N/A (2)	-	-
Chlamydia Screening, ages 16-24	N/A(2)	N/A (2)	N/A (2)	-	-
Appropriate Medications for Asthma	96.30%	N/A (2)	N/A (2)	83.90%	91.20%
Diabetic Care – HbA1c Testing	66.30%	N/A (2)	N/A (2)	83.00%	90.10%
Diabetic Care – Lipid Screening	63.20%	N/A (2)	N/A (2)	75.50%	85.40%
Diabetic Care – Retinal Exams	29.30%	N/A (2)	N/A (2)	53.20%	56.80%

Timeliness of Prenatal Care	78.10%	N/A (2)	N/A (2)	82.90%	89.60%
ALTCS E/PD Population					
Initiation of Home and Community Based Services	97.30%	96.30%	95.90%	-4	-4
Diabetes Care – HbA1c Testing	89.00%	84.30%	N/A (2)	83.00%	90.10%
Diabetes Care – Lipid Screening	83.50%	75.90%	N/A (2)	75.50%	85.40%
Diabetes Care – Retinal Exams	72.90%	71.20%	N/A (2)	53.20%	56.80%

(1) NQCA does not report a Medicaid or commercial rate for dental visits, since these services are typically provided under a separate plan from the medical plan.

(2) These measures have been suspended and were not reported in CYE 2010.

(3) CYE 2010 was a baseline year for these measures; there is no historical data to report.

(4) Not a HEDIS or other comparable measure, so no national comparison is available.

(5) KidsCare population in performance measure category fell below a valid sample size.

Four of the seven measures for DDD showed an improvement during the most recent measurement period. Please note that approximately 36 percent of DDD members, particularly children, have other primary insurance. For that reason, a lower number of claims are submitted to DDD for payment and are not reflected in the AHCCCS data:

Performance Measure - DDD	CYE 10 Rates	CYE 11 Rates	CYE 12 Rates
Children's Access to PCPs – 12 to 24 months	91.40%	94.30%	93.70%
Children's Access to PCPs – 25 months to 6 years	87.00%	86.00%	86.30%
Children's Access to PCPs – 7 to 11 years	83.10%	84.40%	88.00%
Children's Access to PCPs – 12 to 19 years	82.30%	82.90%	85.20%
Well Child Visits 3, 4, 5, 6 Years of Life	52.20%	50.10%	51.10%
Adolescent Well-Care Visits	38.50%	37.50%	35.40%
Annual Dental Visits	50.60%	50.30%	47.70%

While not all of these measures directly measure access to care, they serve as a broader view of members' ability to obtain basic health care services.

SUMMARY

Recent reports by legislative budget staff indicate that revenue collections have not met expectations, and potential risks associated with ongoing litigation over K-12 funding may result in shortfalls in FY 2015 and FY 2016 that will need to be addressed in the spring 2015 legislative session.. AHCCCS increased some provider rates beginning October 1, 2013, continued increases for some, and newly implemented rate increases for others, effective October 1, 2014. Along with this increase in Medicaid rates, an additional 300,000 members will be covered by AHCCCS in 2015. AHCCCS rates in FFY 2014 caused no decrease in the AHCCCS provider network – in fact, the AHCCCS network increased. Due to the modest rate increases and the enlargement of the AHCCCS population, there is no reason to believe that any significant number of providers will exit the network due to rate issues.

Additionally, the AHCCCS provider network has grown steadily over the past five years. The AHCCCS network is robust and already providing healthcare to the newly expanded and restored enrollees.

RESOURCES

Arizona Board of Osteopathic Examiners
http://www.azdo.gov/MediaCenter/FactSheet.aspx

Arizona Department of Health Services
Division of Licensing Services
http://www.azdhs.gov/als/index.htm

Arizona Medical Board
http://www.azmd.gov/FAQ/AMB.aspx

Arizona State University
W.P. Carey School of Business
http://wpcarey.asu.edu/

Kaiser Foundation
http://www.kff.org/statedata

Phoenix Business Journal
http://www.bizjournals.com/phoenix/

U.S. Bureau of Labor Statistics
http://www.bls.gov/

"At Least 2 More Years Until Full Economic Recovery for Arizona"
https://wpcarey.asu.edu/news-releases/2014-05-08/least-2-more-years-until-full-economic-recovery-arizona

"Monthly Report – Greater Phoenix Housing Market – June 2014"
http://wpcarey.asu.edu/sites/default/files/uploads/center-real-estate-research-and-practice/fullreport201407.pdf

"Phoenix Housing Market in a Slump"
https://wpcarey.asu.edu/news-releases/2014-08-04/phoenix-housing-market-slump

"JLBC - Monthly Fiscal Highlights - July 2014"
http://www.azleg.gov/jlbc/mfh-jul-14.pdf