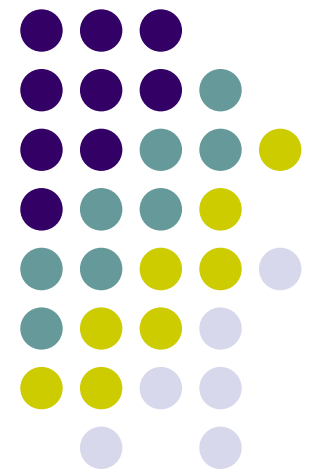
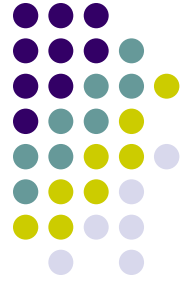


AHCCCS Update

Tribal Consultation Meeting
March 31, 2011





Topics to Cover

- Tribal Consultation
- Updated Economic Data
- Federal Response to State Concerns
- Budget Update
- Health Care Reform
- Other Opportunities



Tribal Consultation

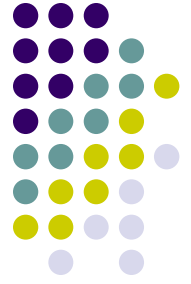
- AHCCCS Tribal Consultation Policy

AHCCCS and Indian Tribes in the State of Arizona share the common goal of decreasing health disparities and maximizing access to critical health services. In order to achieve this goal, it is essential that the AHCCCS Administration and Indian Tribes engage in open, continuous, and meaningful consultation on a government-to-government basis.

- Agency has regular Tribal Consultation Meetings

- 4 in current Calendar Year – 3rd meeting on Tribal lands
- 12 in 2010
- 7 in 2009
- 6 from 2006-2008
- All information from previous meetings is available on web

American Indians in AZ & AHCCCS



Arizona Residents

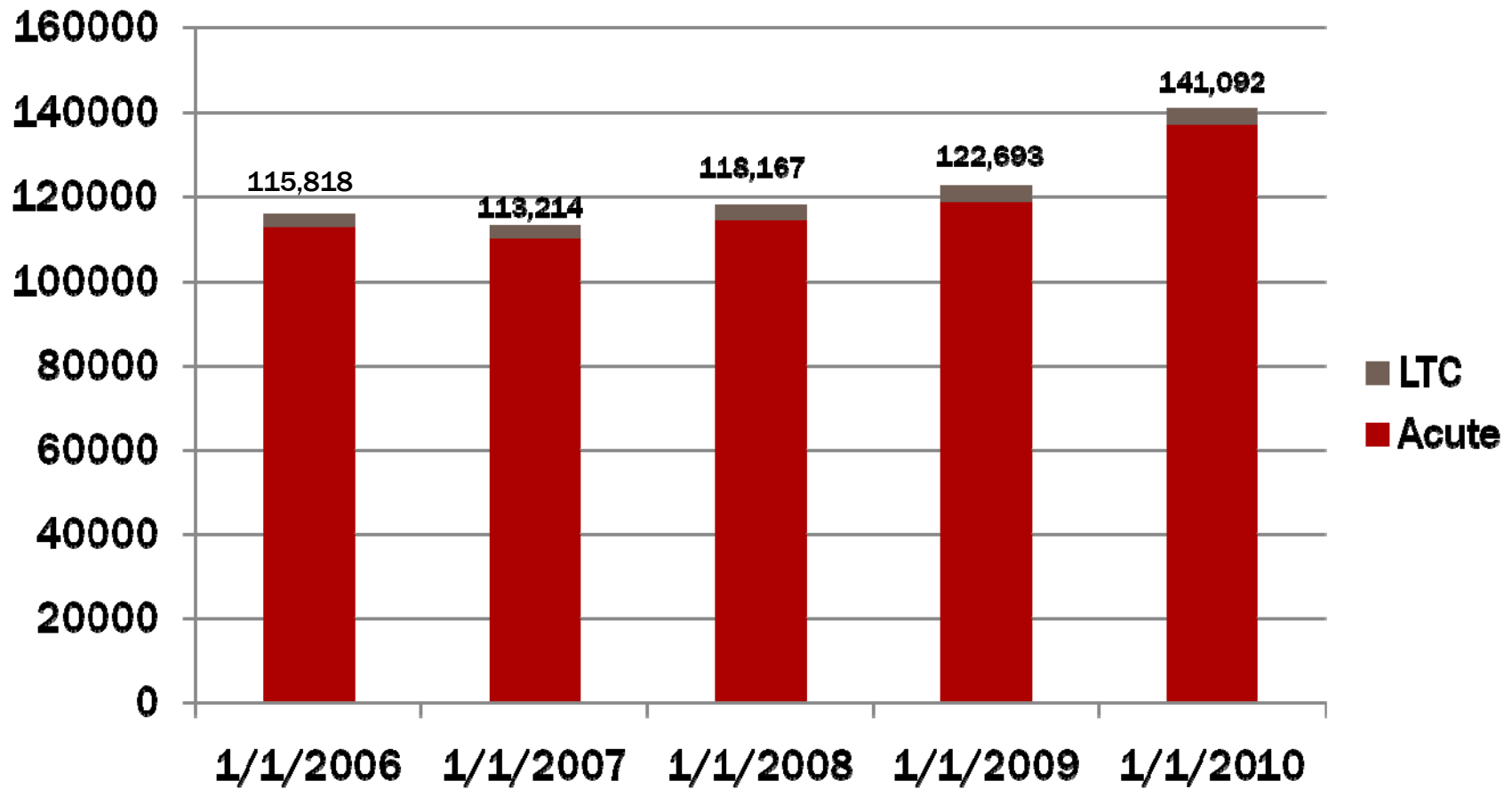
- Arizona population: 6,343,952
- 285,183 AI Arizona residents
- AIs comprise 4.5% of Arizona's total population.

AHCCCS Members

- AHCCCS members: 1,373,279
- 141,092 AI AHCCCS members
- AIs comprise about 10% of AHCCCS members.

*Almost half of AIs in Arizona are enrolled in AHCCCS.

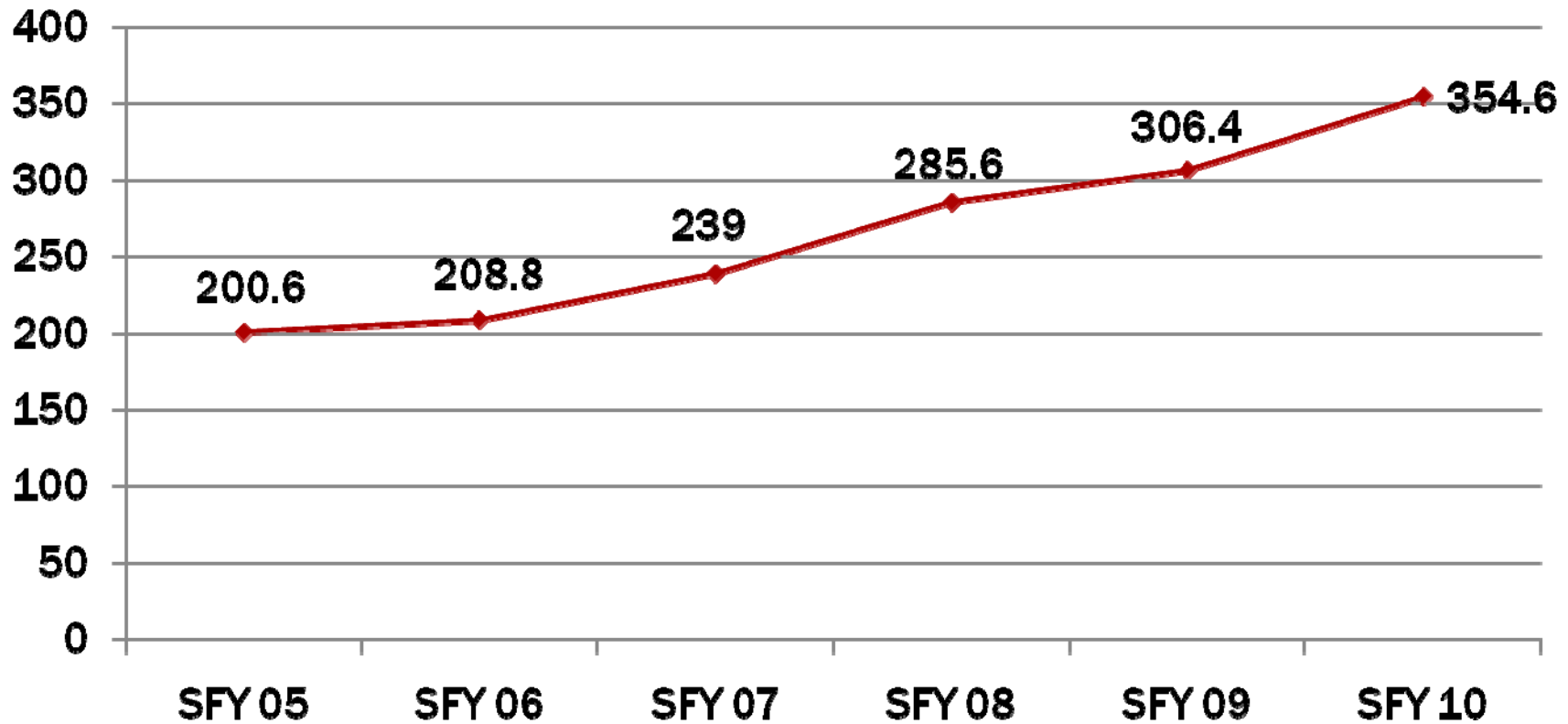
AI Enrollment in AZ Medicaid



Reimbursements to IHS/638s



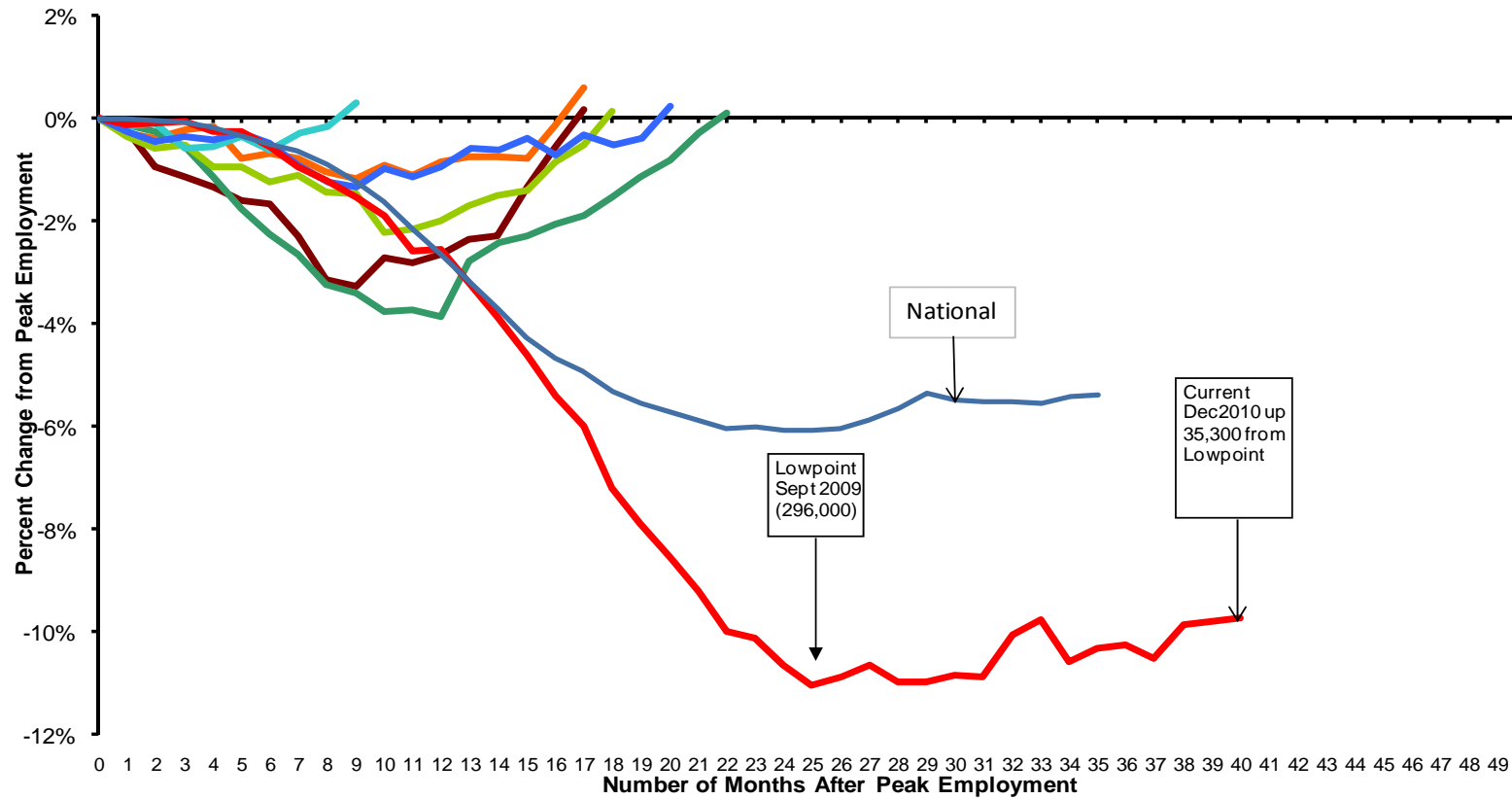
Reimbursements (in Millions)



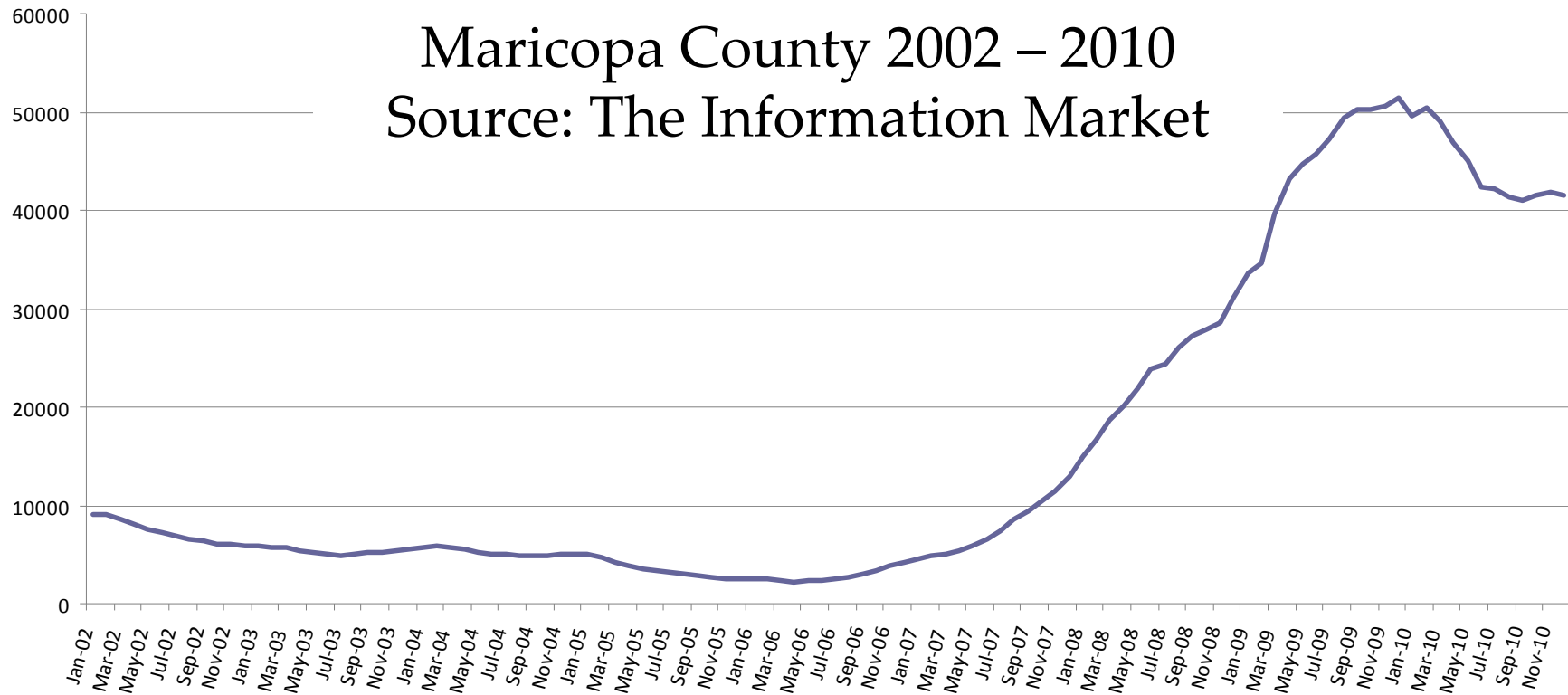
Employment



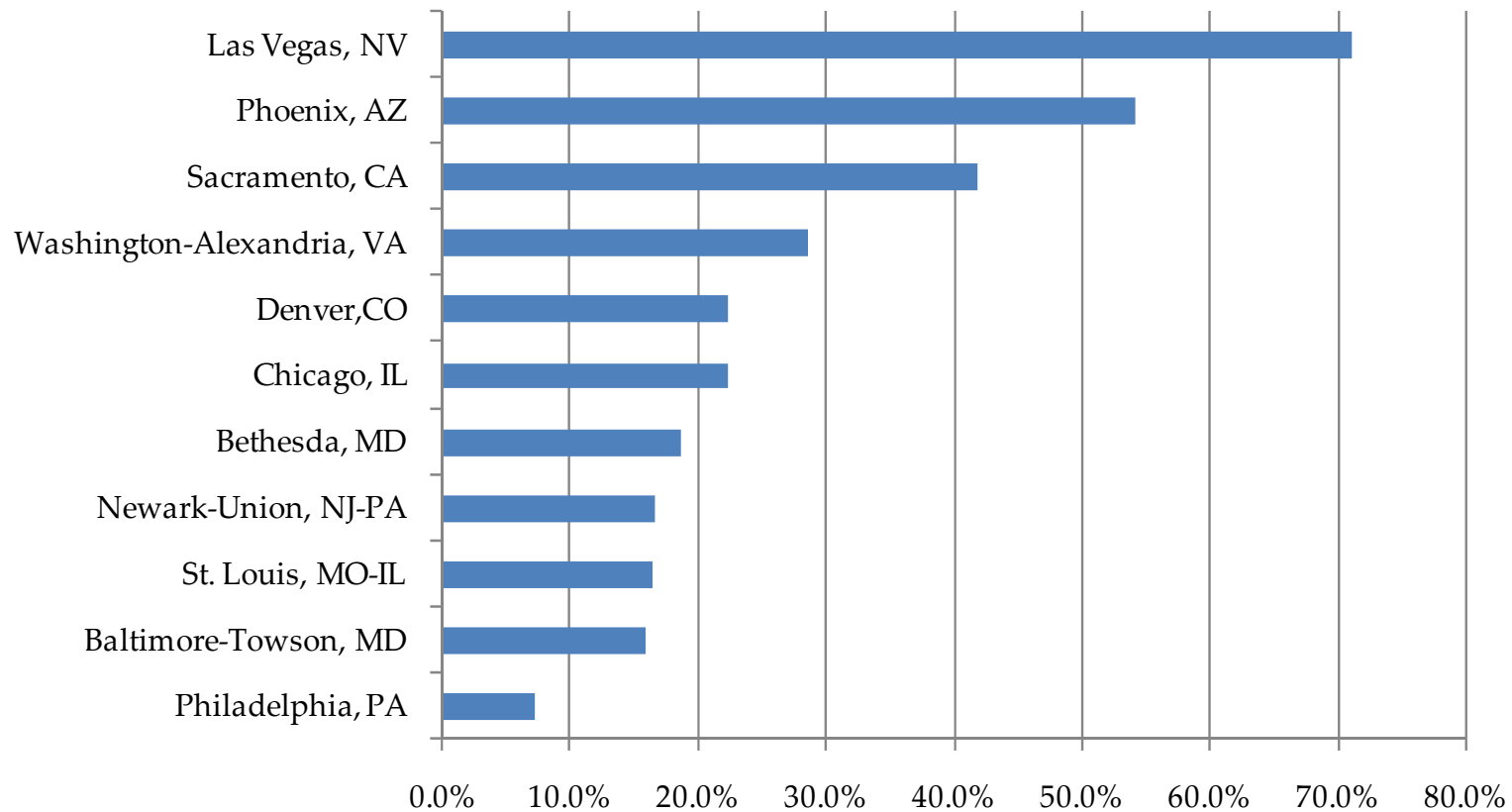
Arizona
Job Loss Non-Farm Seasonally Adjusted



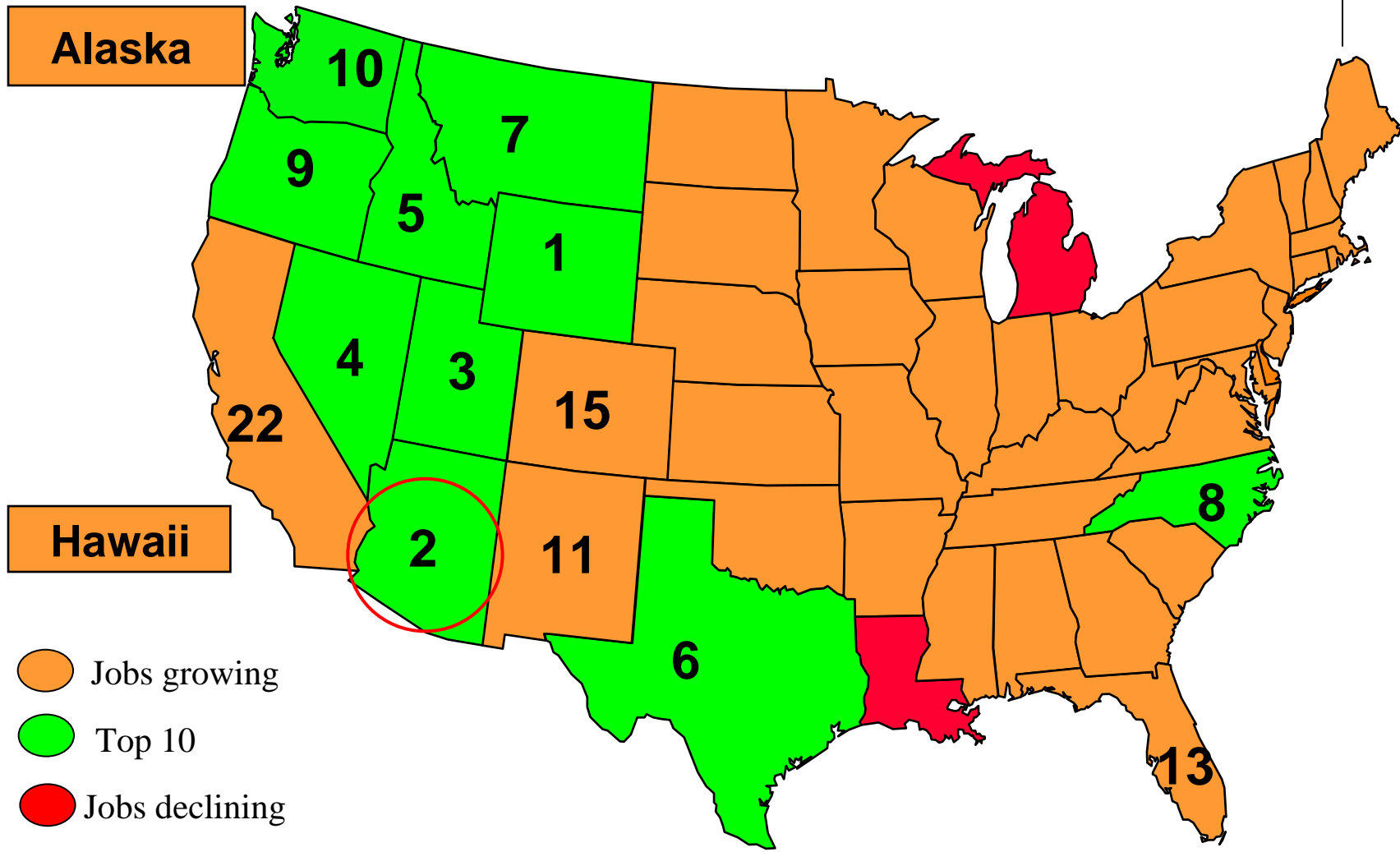
Housing - Foreclosures



Housing – Negative Equity

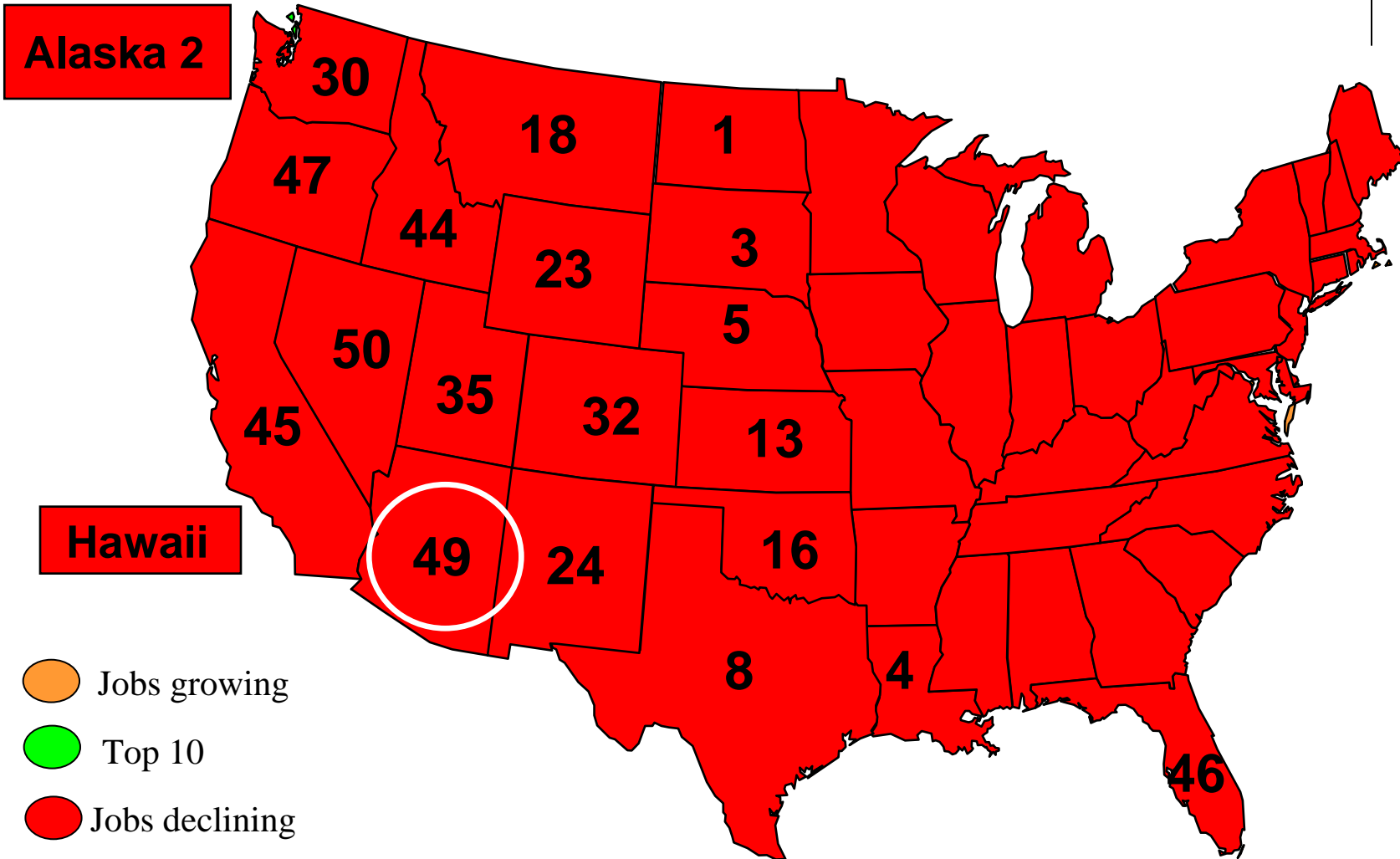


Job Growth 2006



Source: US BLS

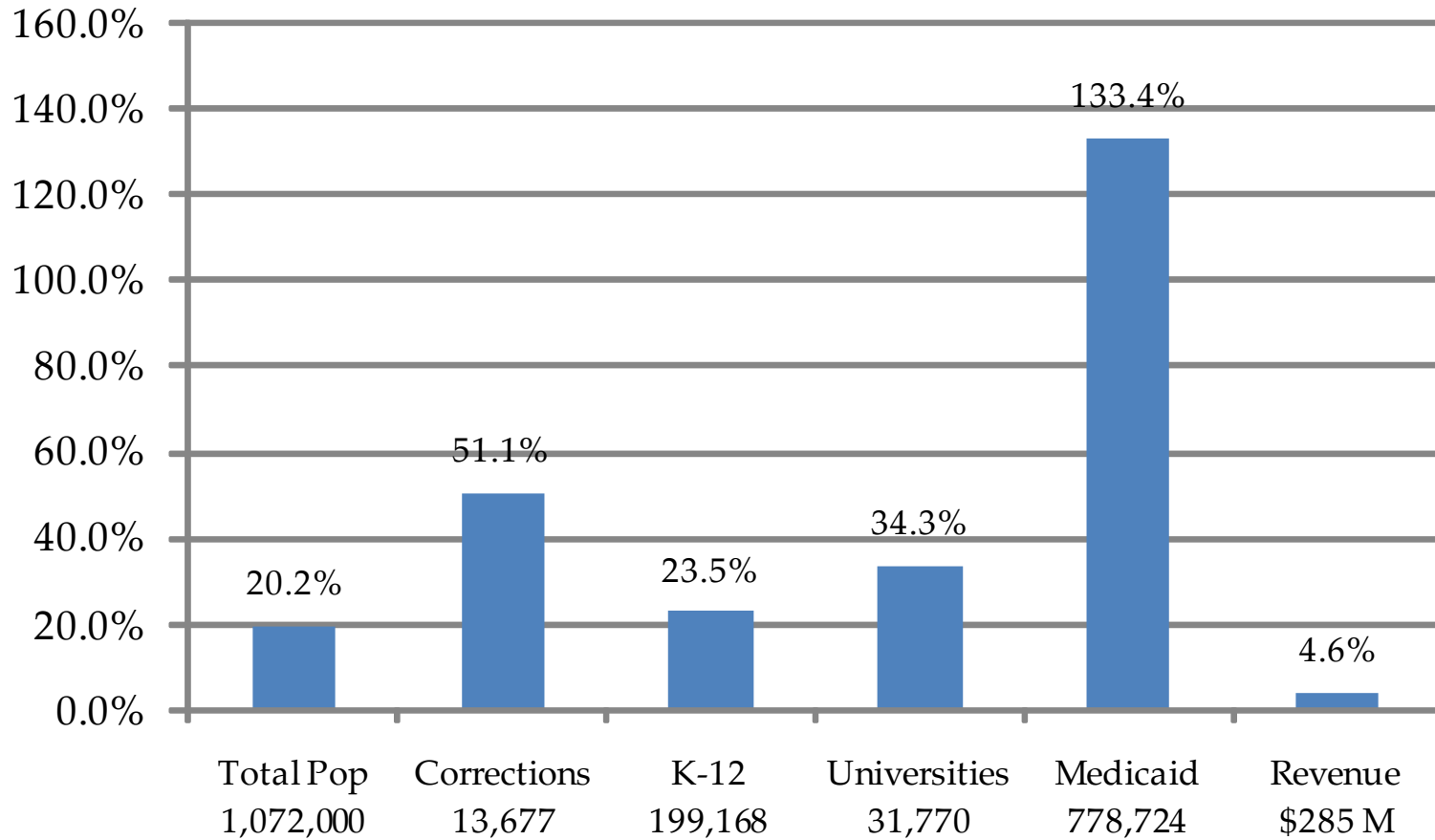
Job Growth 2009



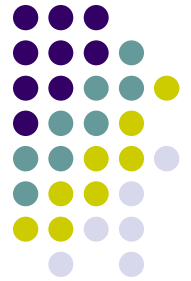
Source: US BLS



Enrollment Growth FY 2001 to FY 2010



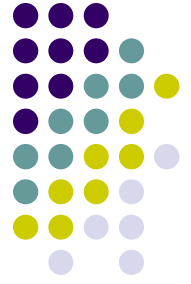
The Budget: Summary



Budget Reductions

Medicaid Reform	\$541.5
Universities	\$170.0
DES	\$91.0
Provider Rate Reduction	\$89.0
K-12	\$83.7
Community Colleges	\$72.9
Convention Center Payment	\$15.0
DJC	\$7.2
Other	\$7.2
Total	\$1,077.5

Education Funding



K12 Education

- Arizona per pupil support is ranked 49th in the country
- Since FY 2008: Reduced per pupil expenditures by 18 percent
 - Eliminated full-day kindergarten -Reduced equipment 77%
 - FY 2012 proposal - \$83.7 M cut

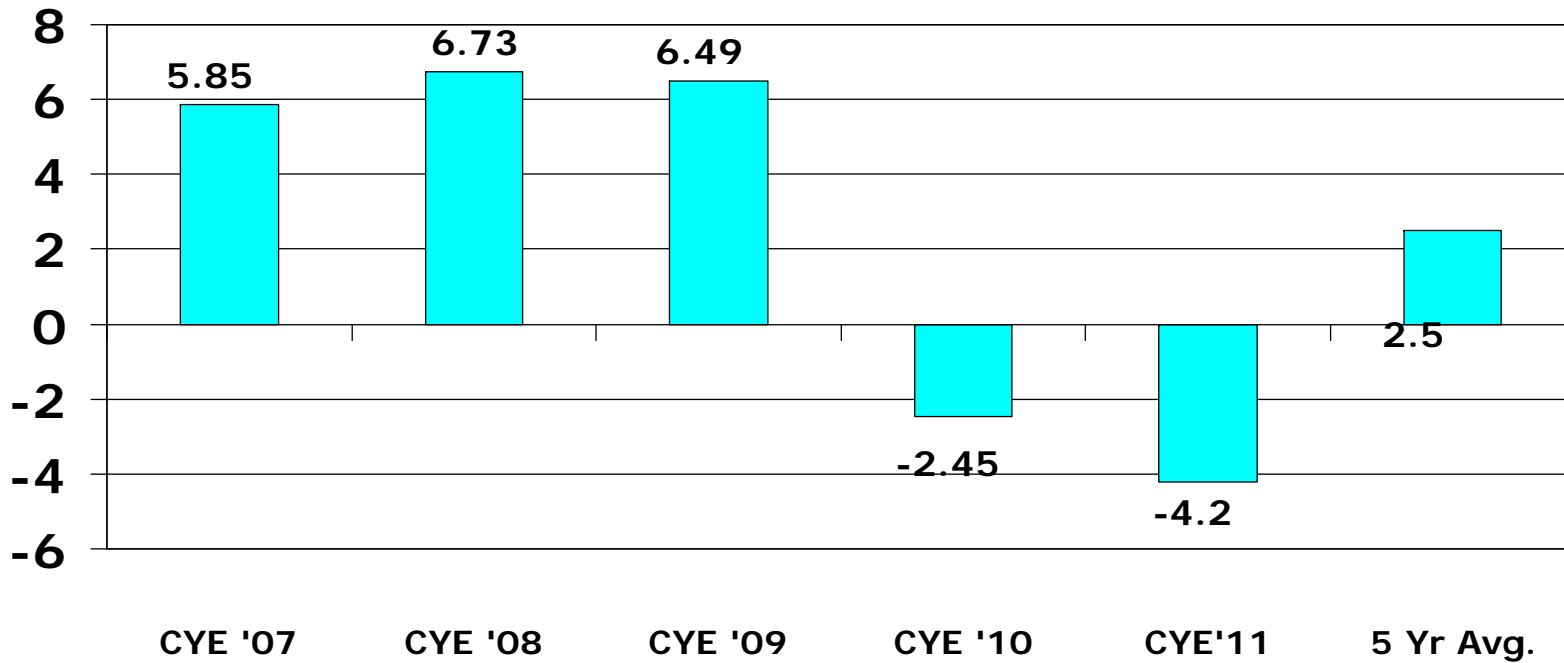
Universities

- Reduced per student support by 25 percent
- Average tuition increase: 53%
- FY 2012 proposal - \$170 million cut (additional 22%)

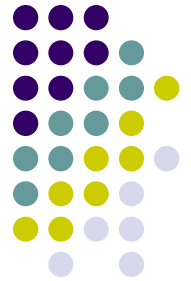
Community Colleges

- Since FY 2008 Reduced GF support 19.3%
- FY 2012 proposal - \$72.9 M Cut (additional 52%)

AHCCCS Capitation Trends



Secretary Sebelius Checklist



February 3, 2011 Letter recognizing significant fiscal constraints faced by States and need for flexibility

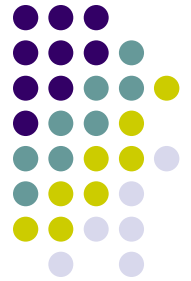
- **Benefits**

- Eliminate Optional Benefits – Done
- Limit Benefits – Done – IP 10-1-11
- Cost Sharing – Done – beyond federal limits through waiver – still awaiting final SPA approval (13 months)

- **Manage Care**

- Integrate Acute and Long Term Care – Done
- Emphasize HCBS – Done
- Primary Care/Medical Home – Done
- ACA – 90% Health Home – Community 1st Choice Option - Ready

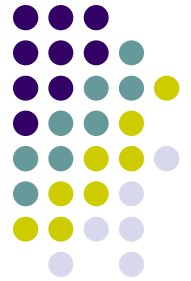
Secretary Sebelius Checklist



- Pharmacy
 - Reduce Spend – Done - # 1 in Country
- Program Integrity
 - Ongoing – Analytics – Increased resources – PERM results – OIG recognition – date of death –Grant request OMB
- Duals Eligible Members
 - National Leader with aligned managed care model and applied for CMMI contract authority

Executive Budget makes painful reductions throughout State Government but still \$500 million short in FY 2012– Now What? How does Medicaid become sustainable for States?

HHS Response to Arizona



Letter dated February 15, 2011

- MOE does not require State to renew demonstration in current form. State may make changes upon expiration (9-30-11)
- Letter offers assistance with regards to provider fee
- Letter encourages integration of physical and mental health care
- Letter states that there may be legal issues with regards to MOE waiver
- Bottom Line – State provided with flexibility to terminate coverage for two waiver populations
 - Adults without Children (221,254 members)
 - Spend Down Members (5,785 members)

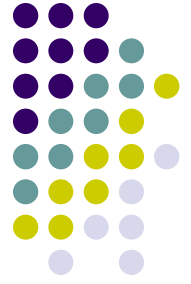
Governor's Medicaid Proposal

(FY 2012 GF Projected Savings)



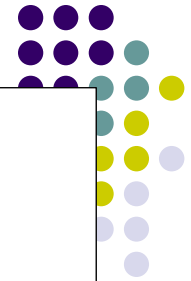
Proposal seeks to grandfather coverage while establishing sustainable program -

- 5-1-11 MED Freeze – 10-1-11 End - \$70m
- 7-1-11 Childless Adult (CA) Freeze - \$190m
- 10-1-11 Parents >75% FPL Freeze - \$17m
- *Seeking authority from CMS to exempt changes to Native Americans receiving services at I.H.S. and 638 facilities*
- 10-1-11 Terminate FES coverage - \$20m
- *Does not impact Native American population*
- 10-1-11 Six Month Rede (CA) – \$15m

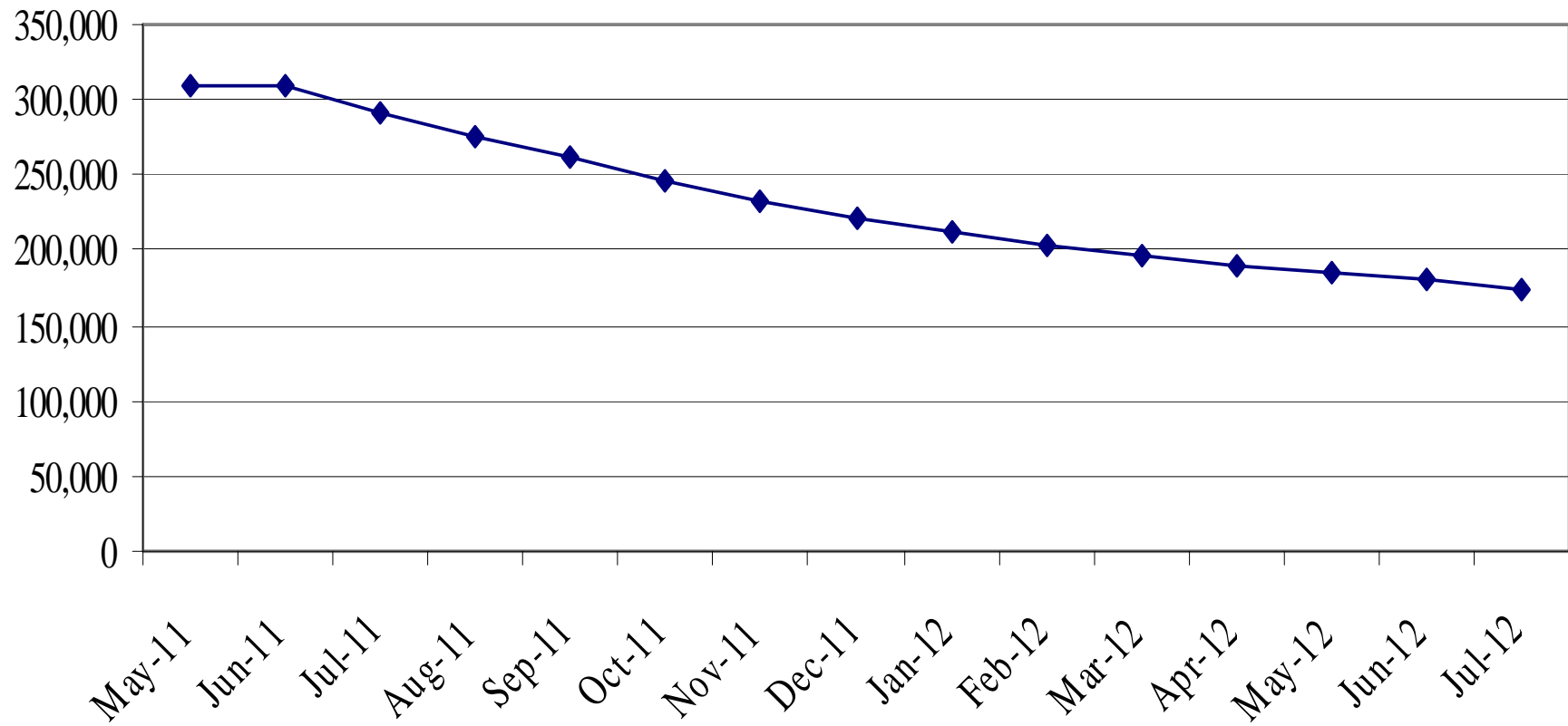


Medicaid Changes Cont

- 10-1-11 Mandatory Copays (TMA Methodology) – *Native Americans would be exempt*
 - Parents- \$2.7m
 - Children - TBD
- 10-1-11 Benefit Limits – \$40 m
 - 25 day IP – Respite – ED visits – Office Visits – Non Emergency Transportation (Urban Counties) – Transplant
 - *Seeking authority from CMS to exempt services provided at I.H.S. and 638 facilities*
- 10-1-11 5% Provider Reductions – Outlier – MCO Reductions - \$95m
 - *Would exempt services provided by I.H.S. and 638 facilities*
- Medicare Liability - \$40m
 - *Does not impact members of providers*



PROJECTED MEMBERSHIP DECLINE
AHCCCS Care, MED, and TANF over 75%
May 2011 to July 2012 (Capitated and IHS)





Status of Changes

MED Elimination

- Rule posted – 30 Day Public Comment
- Phase Down Plan – Version 2.0 @ CMS – Requires CMS Approval prior to Implementation

Waiver Request – Today?

- Covers Childless Adults Freeze – Parents Freeze – Rede Change – Mandatory Copays – Medicare – *Exemption for Tribal members and I.H.S. and 638 facilities*

Benefit Team working on new limits

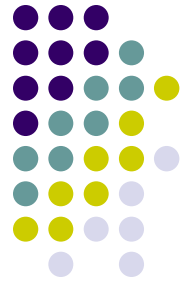
Team working on Reimbursement changes

Awaiting Final Budget Agreement and authority

Supreme Court will have final say over \$200 m of eligibility changes

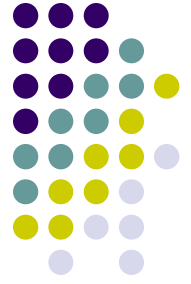
Provider Assessment – Politically Challenged

What about eliminating AHCCCS?



- SB 1519 Proposed Eliminating AHCCCS
- Passed Senate Appropriations
- Nothing in federal law mandated Medicaid system in Arizona
- \$7 billion in federal health care spending eliminated
- Economic devastation would be crippling.
- Arizona at competitive disadvantage
- Current GF Medicaid commitment is approximately \$2.0 B
- Funding for ALTCS (50,000 members) - \$2.2 billion
- Unless we are going to eliminate coverage for some ALTCS members then 1.3 million Arizonans currently covered would be uninsured

Health Care Reform Update



Health Insurance Exchange

- AHCCCS evaluating system gaps
- State Legislation Stalled
- Executive Branch Efforts

Drug Rebates

- Issued contract – Filed 3 Quarters worth of claims with Pharma – State benefit still unknown

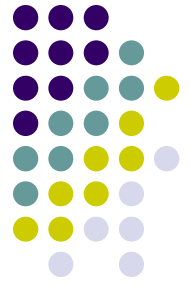
Payment Reform Grants

- Health Homes – just awarded \$500,000 planning grant – tied to SMI integration
- Evaluation multiple proposals for Prevention Grant Funding

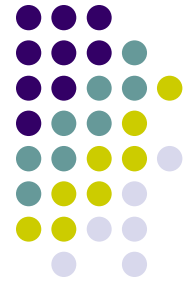
Recovery Audit Contractors

- Moving through process to develop scope of work with RAS

Integration Issues

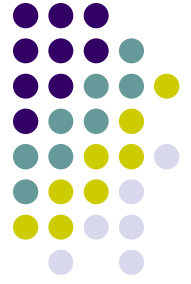


- Special Needs Children
 - Begun discussions with SLHI to staff community and family discussions on payer integration
 - Pursuing model change as part of 2013 Acute RFP
- Behavioral Health
 - Working on Specialty Plan concept for SMIs
 - Evaluating Model as part of Health Home proposal
 - Want Plan to be fully integrated including Medicare
 - Want to Start in Maricopa
- Dual Eligible Members
 - Pursuing Study with Mathematica
 - AZ not awarded CMS grants – Still plenty to do



Other FY 2011 Challenges

- Supplemental Payments
 - GME/IME – June 30th Deadline
 - DSH – Additional Private Allocation
- Program Integrity – Pursuing Model Program Funding
- ALTCS RFPs –
- Sunset Audit – 2011 & 2012
 - Eligibility and COB
- Waiver Renewal – Oct 2011 – Budget Change – Payment Reforms
- System Issues - 5010- ICD 10
- Workforce – Employee Survey
- Stakeholder Communication



At the End of Day

AHCCCS must work to Preserve the Core

- Viable health plans to maintain managed care model – it works
- Providers in the system/Network
- Delivery of Quality Health Care
- Administrative capability

Nationally – Country must have an adult conversation on sustainability of entitlement programs