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*Our first care is your health care*  
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**DATE:** May 29, 2009  
**TO:** Interested Parties  
**FROM:** AHCCCS Administration  
**SUBJECT:** Benefits Re-design for Adults in Acute Care

In response to significant fiscal challenges facing the State and substantial recent growth in the Medicaid population, the Arizona Health Care Cost Containment System (AHCCCS) partnered with its acute care contracted Health Plans to review and provide preliminary recommendations to modify the acute care adult benefit package. As required by law, AHCCCS also established a process to consult with and receive input from Arizona's tribes and the three Area Indian Health Services.

The workgroup, which included physicians, medical economists, data experts, coders, policy staff, and an independent consultant, spent a significant amount of hours compiling, reviewing and validating utilization data and trends. Consideration was given to multiple options, and potential savings were calculated including offsets due to costs of avoidable alternative treatments and adverse outcomes. Also attached to this document is a summary of the benefits review process from the Lewin Group, which provided external validation and analytical resources for the project.

As part of the FY 2009 budget fix, AHCCCS was mandated to establish a benchmark benefit package under the authority of the Deficit Reduction Act for limited populations. However, due to the restrictions and significant complications in implementing a benchmark package, AHCCCS is proposing that the approach be modified and a series of benefit reductions and limitations across the entire Medicaid acute care adult population be implemented.<sup>1</sup> The attached preliminary analysis was developed and provides detail based on two populations.

- Waiver Group – This represents childless adults up to 100% of the Federal Poverty Level (FPL) and adults with income up to 40% FPL after deducting medical expenses who do not otherwise qualify for any other Medicaid program.
- All Adults – Summarizes the impact to all adults 21 and older, including the waiver group.

A public hearing is scheduled during the month of June to present the recommendations to stakeholders. In addition to the public hearing, these preliminary recommendations will also be presented to the Arizona Legislature for consideration.

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<sup>1</sup> Adults are 21 years of age and older.

If ultimately approved through the legislative process, AHCCCS will submit the final proposal to the Centers for Medicare and Medicaid Services (CMS) for approval by way of amendments to the State Plan and Section 1115 Waiver. The final steps for implementation are to amend rule, contract, and medical policy. Additionally, AHCCCS will develop a revised capitation rate to reflect the revised benefit package and affected members will be notified in advance of any changes to their benefits.

The assumed implementation date of any adopted changes would be January 1, 2010 with the exception of the non-emergency transportation reductions for the waiver group, which would be July 1, 2010. These dates are subject to change based on CMS approval processes.

Below is a preliminary list of benefits recommended for elimination or limitation followed by a worksheet with information on potential savings and applicable offsets.

### **Benefits Recommendation for Elimination or Limitation:**

#### Elimination:

- Emergency Dental (outside of the emergency room)
- Medically Necessary Dentures
- Genetic Testing
- Orthotics
- Insulin Pumps
- Services by a Podiatrists
- Percussive Vests
- Gastric Bypass Surgery
- Allergic Immunotherapy
- Well exams for adults
- Bone-Anchored Hearing Aids
- Cochlear Implants

#### Limitation:

- Non Emergency Medical Transportation (only available for non-waiver groups outside Maricopa and Pima counties)
- Negative Pressure Wound Therapy
- Somnography (limit to 1 split study/year)
- Physical Therapy (limit to 6/year)
- DME (limit to Medicare covered items only)
- Prosthetics (dollar limit on some)
- Transplants (eliminate some types and be more restrictive with authorization of others)