

Payment Reform Pilot Program

The Arizona Medicaid program, the Arizona Health Care Cost Containment System (AHCCCS) has a long demonstrated history of controlling costs while assuring quality of care for its members. To date, this has been accomplished through a mandatory managed care program for the vast majority of Medicaid recipients. AHCCCS contracted Managed Care Organizations (Contractors) currently reimburse hospitals and physicians primarily via a fee for each service delivered.

Providers and payers in the health care industry, including Arizona providers, AHCCCS, and its Contractors, are exploring new innovations that further drive improvements in cost control and quality improvement, with an emphasis on the delivery of preventive care and timely access to post-hospital follow-up care in order to reduce emergency room visits and hospital readmissions. These concepts are in varying degrees of maturity at this time, from preliminary discussions through implementation.

As these types of initiatives advance, Contractors and providers will see their revenues decline due to AHCCCS members accessing medically necessary services in more appropriate, cost-effective settings. In order to further these initiatives without penalizing Contractors and providers for their innovative efforts, AHCCCS is announcing a "Payment Reform" Pilot Program for AHCCCS Contractors and their provider partners. Under this Pilot Program, AHCCCS Contractors would contract with individual providers/organizations with reimbursement for a specific service array in a way that drives quality over quantity. AHCCCS would allow Contractors to keep a portion of the savings generated by their efforts, and to share the savings with providers.

AHCCCS Contractors may submit a proposal(s) to participate in the Payment Reform Pilot Program. Any AHCCCS Contractor interested in submitting a Pilot Program proposal for consideration may do so at PaymentReform@azahcccs.gov. The submission shall not exceed four pages – please do not provide any attachments. Submissions are due by close of business on Wednesday, November 30, 2011

AHCCCS will review all proposals submitted and will select a limited number of Pilot Programs for implementation during Contract Year Ending (CYE) 2012. Pilot Programs must be completed no later than September 30, 2013, when the current Acute Care contract cycle expires. AHCCCS will notify all Contractors of the results of the selection process. There is no guarantee that all Contractors will be included in the Pilot.

Contract amendments and capitation rate adjustments may be required for those Programs selected. Please note that Contractors' gain sharing revenues will be excluded from other established reconciliations for CYE 12.

The following information **must** be provided in your submission for consideration:

1. Contractor name.
2. Contractor contact information.
3. Payment Reform Pilot Program name.
4. Brief Description of Pilot Program:
 - Description should include the implementation date and duration of the Pilot.
5. Providers participating in the Pilot:
 - The Payment Reform Pilot Program must have provider involvement. Proposals with Contractor administrative efficiencies only will not be considered.
6. The Proposal must include a definition of, and estimated number for, the population/members included in the Pilot Program.
7. Estimated savings for the full duration of the Pilot Program:
 - The application must specify how you anticipate that savings will be achieved and how the estimated savings was computed.
8. Metrics to determine the success of the Pilot:
 - Metrics used to determine success must be verifiable/auditable upon request by AHCCCS.
 - At least 2 measures must be included, not to exceed 4 measures.
 - Data sources that will be utilized for each measure must be identified.
 - The measures in the Pilot Program may not be duplicative of any measures already required per contract.
 - Contractors must provide baseline rates for each proposed metric. If this data is not available at the time of application, it can be provided when the contract amendment is drafted, if selected. The baseline data timeframe must be within 24 months of Pilot implementation date.
9. Readiness of Pilot Program:
 - On a scale of 1 to 5 describe readiness of Pilot Program
 - 1 – Concept only – no details
 - 3 – Planning in process/Negotiating contract terms
 - 5 – Ready to implement/Already implemented/Contracts signed
10. Gain sharing proposal:
 - The gain sharing proposal should identify if AHCCCS will share in the savings and, if so, specify the percentage of shared savings. Please note that AHCCCS may favor proposals identifying savings for the State.
 - Participating provider(s) must be included in the gain sharing proposal.
 - Program savings and gain sharing payments must be verifiable/auditable upon request by AHCCCS.