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Our first care is your health care
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

December 22, 2010

Victoria Wachino
Director
Family and Children's Health Programs Group
Centers for Medicare and Medicaid Services
U.S. Department of Health and Human Services
7500 Security Boulevard, Mail Stop S2-01-16
Baltimore, Maryland 21244-1850

Dear Ms. Wachino:

AHCCCS is in receipt of your letter dated December 7, 2010, regarding the enrollment freeze of the KidsCare program. We appreciate your concern about the decreasing number of children enrolled in the KidsCare program and take this opportunity to respond to those concerns.

We are well aware that the KidsCare population has decreased significantly since the beginning of the recession period. In addition to the enrollment freeze effective January 1, 2010, this decrease is attributed to multiple long-standing factors including families qualifying for lower income programs such as Medicaid, failure to renew eligibility, and nonpayment of premiums just to name a few. AHCCCS retention policies play a limited role in the outcome of these cases. According to the latest available data, discontinuances from the KidsCare program have actually declined since the enrollment freeze. The attached schedule indicates that on average, the percentage of discontinuances for failure to pay premiums went down from 2.5% in 2009 to 2.1% in 2010.

On December 7, 2010, AHCCCS provided CMS with revised notices that clearly explain the premium grace period. We are uncertain if CMS has had the opportunity to thoroughly review them, but we can assure you that they provide clear timeframes for premium payments. It should be noted that since its inception, KidsCare has had a grace period that exceeds the requirements under CHIPRA. As discussed during the review process, members have until the last business day of the month in which two premium payments are in arrears to pay at least one month's outstanding payment. If at least one month's balance is paid prior to the discontinuance effective date, there is no loss in coverage. Essentially, members are provided a total of 60 days to pay their premiums, which is double the amount of time required under § 504 of CHIPRA. Staff work closely with members to ensure there is no unnecessary loss in coverage and KidsCare even has exceptions for premium payments due to unexpected hardships.

AHCCCS takes seriously its obligation to coordinate eligibility between the CHIP and Medicaid programs. Just a few years ago, CMS Region IX conducted a thorough evaluation of the KidsCare application and enrollment processes, including the coordination between KidsCare and Medicaid (AZ CHIP Review, August 19-20, 2008 Site Visit August). CMS did not report any areas for improving retention policies nor did they identify any concerns about the coordination of Arizona's CHIP program with Medicaid. Since that report was issued, AHCCCS streamlined its eligibility process to better coordinate Medicaid determinations for families with eligibility for both Medicaid and CHIP. This eliminated the previous process of transferring information to another agency for those potentially Medicaid eligible. The unfortunate examples of children who transition between programs are not a result of AHCCCS policies, but instead are attributable to compliance with federal FPL guidelines and the

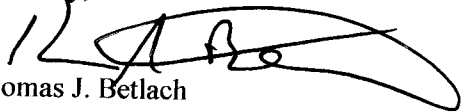
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requirement to ensure those eligible for Medicaid are not enrolled in CHIP. Any exception to the enrollment freeze for cases such as these would result in a significant increase in enrollment in the KidsCare program.

Arizona continues to face a significant budget crisis. To date, budget policy decisions have reduced programmatic spending in excess of \$870 million. In Fiscal Year 2012 (beginning July 1, 2011), the State of Arizona will need over \$1 billion in additional funding to support the Medicaid program.

We appreciate the opportunity to provide you with additional information. Should you have any questions please feel free to contact my office at 602-417-4111.

Sincerely,



Thomas J. Betlach
Director

cc: Cindy Mann
Gloria Nagle
Beverly Binkier

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
KIDSCARE DISCONTINUANCE TRENDS**

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	2009 Average
Premium Discontinuances	1,021	926	839	883	1,465	1,929	1,615	1,661	1,454	1,471	1,417	1,232	1,326
Total Discontinuances	5,525	4,645	3,890	4,052	5,461	6,209	5,399	5,400	4,679	5,246	4,291	4,675	4,956
Enrollment (1st of month)	61,201	59,577	57,674	56,380	55,154	53,408	51,838	49,485	47,689	46,957	46,784	46,886	52,753
Premium Discontinuances as a percent of Total Discontinuances	18.48%	19.94%	21.57%	21.79%	26.83%	31.07%	29.91%	30.76%	31.08%	28.04%	33.02%	26.35%	26.76%
Premium Discontinuances as a percent of Enrollment	1.67%	1.55%	1.45%	1.57%	2.66%	3.61%	3.12%	3.36%	3.05%	3.13%	3.03%	2.63%	2.51%

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	2010 Average
Premium Discontinuances	1,455	1,587	596	563	698	583	498	486	392	342	720
Total Discontinuances	4,376	4,261	3,551	3,534	2,707	2,181	2,409	2,339	2,053	2,204	2,962
Enrollment (1st of month)	45,820	42,151	38,599	36,108	33,708	32,221	30,445	28,782	27,365	26,188	34,139
Premium Discontinuances as a percent of Total Discontinuances	33.25%	37.24%	16.78%	15.93%	25.79%	26.73%	20.67%	20.78%	19.09%	15.52%	24.31%
Premium Discontinuances as a percent of Enrollment	3.18%	3.77%	1.54%	1.56%	2.07%	1.81%	1.64%	1.69%	1.43%	1.31%	2.11%

Sources:

1) Premium Discontinuances and Total Discontinuances from DMS KidsCare Population Statistics, Denials and Discontinuation Report effective 11/1/10
<http://www.azahcccs.gov/reporting/Downloads/KidsCareEnrollment/2010/Nov/KidsCareDenialDiscontinuationReasons.pdf>

2) Enrollment from DMS AHCCCS Population Statistics, AHCCCS Population by Category effective 12/1/10
http://www.azahcccs.gov/reporting/Downloads/PopulationStatistics/2010/Dec/AHCCCS_Population_by_Category.pdf