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NATIONAL HEALTH POLICY FORUM

Managed Medicaid: Arizona's AHCCCS Experience

January 11-14, 2000
Phoenix

The George Washington University
WASHINGTON DC

SITE VISIT REPORT

Contents

Acknowledgments

"Managed Medicaid: Arizona's AHCCCS Experience" was the first of two planned site visits to look at Arizona's state-run health care programs. The second, tentatively planned for late 2001, will focus on the Arizona Long-Term Care System. Both visits are possible through the generosity of the Flinn Foundation, along with core support provided by the Robert Wood Johnson and W. K. Kellogg Foundations. The Forum is grateful to Flinn executive director John Murphy for his support, guidance, enthusiasm, and hospitality. Mary Sue Snyder, executive assistant, organized an elegant reception, which gave the site visit party the honor of being the first guests in the brand-new Flinn Foundation building.

To the many panelists and speakers who shared time and knowledge with site visitors, the Forum owes great thanks. Planning the visit was smoothed considerably by the wisdom and kindness of Monte DuVal, M.D. Len Kirschner, M.D., also stood ready to help with answers and advice.

The Forum is indebted to the AHCCCS staff for their willingness to be on display for Washington visitors and their genuine cooperation and ample assistance. Phyllis Biedess, Lynn Dunton, and Branch McNeal especially devoted much time and attention to ensuring that site visitors had a rewarding experience.

Dimension and perspective were added to the site visit through on-site meetings with executives of organizations involved with AHCCCS. The Forum deeply appreciates their hospitality and thanks those who arranged to host us: Reg Ballantyne, Bob Conaway, and Anne Ford at PMH Health Resources, Inc.; Mike Klimansky and Carol Gwilt at Arizona Physicians IPA; and Kathy Byrne and Carol McCracken at Mercy Care.

On the Forum staff, Judith Moore, Lisa Sprague, and Nora Super Jones organized the site visit and wrote this report. Judith Miller Jones offered guidance and her legendary network of contacts. Dagny Wolf directed site visit logistics with her exceptional capability and cheer. Moira Muccio Secrest and Diane Harvey assisted with financing and administrative support, while Michele Black edited and managed publication of this report.

As always, the Forum would like to thank the federal site visitors for their insight, enthusiasm and concord.

January 11–14, 2000/Phoenix

Managed Medicaid: Arizona's AHCCCS Experience

BACKGROUND

Though Arizona was the last state to establish a Medicaid program, the Arizona Health Care Cost Containment System (AHCCCS), now in its 18th year, is looked to as a model of Medicaid managed care. One Phoenix doctor postulated, "We were so far behind we got ahead." The National Health Policy Forum decided to examine the AHCCCS program in depth as well as in its larger health-care context in a pair of site visits. The objectives were to see what worked, what did not, and what features might be exportable to other communities. The first site visit focused on acute care services, while a second (tentatively scheduled for 2001) will look at long-term care.

The Evolution of AHCCCS

Until October 1982, health care for the indigent was provided by Arizona counties. Mindful of the growing fiscal burden at the county level and of the availability of federal dollars to provide relief, the governor and legislature actively began to consider Medicaid proposals. One school favored a fee-for-service program, as most other states had established, but others worried that fee-for-service afforded too little ability to control costs and to provide care in appropriate settings (such as a doctor's office rather than an emergency room). After much debate, legislators voted in favor of a statewide Medicaid managed care system based on capitated contracts with health plans.

The Medicaid portion of AHCCCS (which also now provides services under programs such as Federal Emergency Services and the State Children's Health Insurance Program (SCHIP)) has operated under a series of Section 1115 research and demonstration waivers since inception. Initial approval from the Health Care Financing Administration (HCFA) came just three months before the program's scheduled implementation date. Insufficient time to build an organization and train staff was a key factor in a rocky start for AHCCCS.

The first few years were difficult, as AHCCCS tried to learn managed care while at the same time negotiating with plans, assessing provider networks, and developing administrative systems. Employing a private contractor, also inexperienced with prepaid managed care plans, was not a successful improvement strategy. No other statewide managed care programs existed to serve as examples. During the same learning period, AHCCCS had to assume new responsibilities, such as operating a state-funded program for indigents who did not qualify for Medicaid. However, in the mid-1980s, under new management, AHCCCS stabilized. Long-term care services were added in 1987, behavioral health in 1989, and KidsCare (the SCHIP program) in 1998. Through the years, AHCCCS's competitive bidding and contracting processes, as well as its information systems, have become more sophisticated.

In 1999, AHCCCS served a Medicaid population of some 320,000, plus another 22,000 in state-funded programs. SCHIP enrollment was roughly 28,000. The eligibility level for Medicaid is approximately one-third of the federal poverty level (FPL). A ballot initiative to raise the state level to 100 percent of FPL passed 71 percent to 29 percent in 1996, but has never been implemented. As of 1997, Medicaid expenditures per capita were $2,384 in Arizona, compared with a national average of $3,581.

The Phoenix Market

Arizona experienced 30 percent population growth in the 1990s, an expansion attributable more to migration—from the Midwest as well as Mexico—than to birth. Over 60 percent of the state's population resides in Maricopa County, the greater Phoenix area. Population is not constant year-round, however; an "accordian" effect is created by a significant number of seasonal residents.

Employment concentrates in service industries, especially tourism, and small business. Jobs in these categories very often do not include health insurance. Unemployment is very low (2.7 percent in Phoenix in 1998), but per capita income is well below the national average, and a substantial percentage of citizens live in poverty. Thus it is not surprising that many in Arizona are uninsured. Indeed, according to a recent analysis of Current Population Survey data by the Urban Institute, Arizona's percentage of uninsured non-elderly persons, 28.1 percent, is the highest in the nation.

Forty-six percent of the AHCCCS population is in Maricopa County, where they are served by six health plans. Most of these contractors are Medicaid-only plans,

and are locally based. (An exception only recently is Arizona Physicians IPA; founded as an AHCCCS plan, it was recently bought by United HealthCare.) Though managed care has been the norm in AHCCCS for many years, the national backlash and calls to expand patients' rights have produced some local echo. Managed care penetration in the market as a whole is approximately 60 percent.

Neither physicians nor employers are historically cohesive groups in Phoenix. Physicians are still largely in solo or small-group practices and do not have a particularly vocal professional society. Large employers, headquartered elsewhere in the country, do not provide strong leadership on policy issues.

PROGRAM

On January 11, site visitors attended an introductory briefing session and a reception hosted by the Flinn Foundation. The next morning they participated in in-depth discussions of various aspects of AHCCCS: its history, competitive bidding and contracting practices, waiver status, performance measurement systems, and administration of KidsCare. Later in the day, visitors had an opportunity to discuss additional issues and pursue questions with the AHCCCS director and senior members of her staff at the AHCCCS offices.

Site visitors met with three AHCCCS contracting health plans. Arizona Physicians IPA (APIPA), by far the largest and historically the most influential plan, is adjusting to its new role as part of a large national managed care company. Some of its signature outreach programs, such as a clothing exchange for mothers bringing children for immunization, have been de-emphasized. APIPA retains its name, which is widely recognized. It currently enrolls approximately 140,000 AHCCCS beneficiaries. During a visit to the plan's administrative offices, APIPA officials walked site visitors through their pharmacy management program and described the collection, reporting, and use of encounter data.

A second plan was Phoenix Health Plan, presented as one part of PMH Health Systems, Inc., which provides a variety of services to AHCCCS. PMH executives attribute the survival of Phoenix Memorial Hospital—their centerpiece and one of the few locally owned hospitals left in Phoenix—to successful integration of the financing and delivery of care. They acknowledge, however, that their attempt to integrate the two elements of delivery, hospitals and doctors, through the purchase of physician practices was not a success and was jettisoned.

PMH executives reported a good relationship with AHCCCS. "These are people we see every day, not a voice that answers an 800 number," said a PMH physician, going on to observe that most doctors see AHCCCS as "just another health plan."

Finally, site visitors heard from the president and the medical director of the second-largest AHCCCS contractor, Mercy Care. The two discussed AHCCCS's strengths and weaknesses, and gave the group Mercy Care's perspective on quality measurement and behavioral health programs.

The site visit concluded with a Friday morning wrap-up session that included commentary by the current and two former directors of AHCCCS. Points raised in consideration of "lessons learned" are summed up in the following section.

IMPRESSIONS

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A number of factors have contributed to AHCCCS's accomplishments:

- ***There was no earlier fee-for-service Medicaid program to sustain, dismantle or compete with.*** Arizona chose managed care as its initial approach to Medicaid. This enabled the development of a real systems approach to care, with the opportunity to design and refine cost containment measures over the years and the power to collect data from contracting plans that would enable quality measurement as well as cost containment.
- ***There have been and still are close working relationships among AHCCCS, plans, and providers.*** The health care community in Phoenix is strongly interconnected, especially in that the same people have been, by turns, employed by AHCCCS and health plans. The architects of AHCCCS's turnaround in the mid-1980s are still active in the Phoenix market. As noted above, providers do not think of AHCCCS as a distant bureaucracy. The agency routinely surveys provider as well as beneficiary satisfaction.
- ***AHCCCS was given time to recover from its early stumbles and to develop the infrastructure necessary to operate effectively.*** An AHCCCS executive observed that it takes considerable time to build trust relationships, a knowledge base, and appropriate systems. AHCCCS has in many instances learned by doing and made improvements in its processes over time.
- ***Mandatory enrollment and auto-assignment limit adverse selection and encourage care management.*** Plans have an incentive to bid for AHCCCS contracts, in that a limited number of winning plans will share a captive population, some of whom will enroll in a particular plan by choice and more who are auto-assigned

by the agency. Beneficiaries do turn over because of changes in their eligibility status, but they rarely exercise their option to change plans within AHCCCS. Thus it is in plans' best interests to manage care, especially chronic care, for the patients they have. In addition, a stop-loss policy assures plans that they will not bear the full burden of outlier cases.

- ***AHCCCS is a mainstream program, marked by public-private collaboration.*** In large measure—but not exclusively—because of market-based reimbursement rates, Arizona providers are willing participants in AHCCCS plans. Beneficiaries thus have access to a full range of mainstream providers, which presumably reduces the stigma of Medicaid participation, as well as perhaps raising the quality of care.
- ***The state plays the role of sophisticated purchaser as well as that of regulator.*** AHCCCS has had to develop an effective competitive bidding process. While there have been ups and downs—the program's 1994 request for proposals is frequently cited as dysfunctional—AHCCCS has learned to negotiate, to price realistically, and to determine an optimal number of plans in a region.
- ***AHCCCS has invested in high-quality information systems.*** Data processing capabilities allow AHCCCS to be more efficient in tracking eligibility, quality-related performance measures, and expenditures. The state requires all contracting plans to submit patient encounter data to the agency. It does seem that more and better analysis and communication of this information to plans and consumers are warranted and appropriate to help to consumers in making choices based on outcomes.

■

AHCCCS still has room for improvement.

- ***Quality measurement is still in an early stage of development.*** AHCCCS must be commended for making quality of care part of its ongoing monitoring and assessment of health plans and service delivery generally. Still, some providers feel that AHCCCS lacks medical expertise on its staff and does not have a sufficiently strong clinical focus. And, while the agency provides some feedback to providers, provider groups do their own physician profiling and performance assessment. As noted above, the beneficiary is not considered part of the communication process.
- ***AHCCCS has become more bureaucratic over the years.*** The agency's emphasis seems to be shifting away from the role of purchaser to that of regulator. There is a tension between the countervailing benefits of free competition and stability or predictability; at this time, the latter carries more weight.
- ***There needs to be an exit strategy for programs with Section 1115 waivers.*** After 18 years of operation, it is difficult to justify continuing to label AHCCCS a demonstration program. On the other hand, forcing it into the mainstream Medicaid mold would surely demolish much of what it has built.

■

KidsCare builds on the AHCCCS model.

Following a heated debate over whether there should be a program at all, the legislature decided to create a separate SCHIP program rather than expanding Medicaid. Eligibility levels—by definition, at higher incomes under SCHIP—are a major distinction between the programs. KidsCare enrollees have a benefit package based on the state employees' plan rather than Medicaid. But AHCCCS administers both programs, and most KidsCare beneficiaries enroll in the AHCCCS managed care network.

- ***Outreach has been a problem for KidsCare.*** In legislation creating the program, the legislature banned AHCCCS from contracting with schools to do outreach. Schools, made skittish by the provision, have been reluctant to be involved on a voluntary basis. Another problem is budgetary: because outreach dollars are aggregated with administrative dollars and capped at 10 percent of program expenditures, administrative expenses tend to consume the lion's share.
- ***A direct services option, which provides limited benefits, was mandated by the state legislature and serves as an example of some legislators' continuing disapproval of entitlement programs.*** In opting for direct services, parents agree to take their children to certain sites to receive certain services. Not included in the benefit package are behavioral health and emergency services. Cost savings are demonstrable for the direct services population, but many parents want to change plans when they realize what is not covered or when their child has an emergency.

■

Tobacco-tax funding sustains many safety-net providers.

In 1994, Arizona voters approved an increase in the state's tobacco tax; 70 percent of this increase was dedicated to programs for the state's uninsured population. These programs are targeted, for the most part, to primary

care clinics. Community health centers, which already had the infrastructure in place to serve the indigent uninsured, appear to be functioning smoothly in cooperation with AHCCCS.

■

Delivery of behavioral health services, while fraught with problems, is being addressed.

By statute, AHCCCS must contract with the Department of Health Services, which in turn contracts with regional behavioral health authorities, to provide mental health services to the Medicaid population.

- ***For purposes of both reimbursement and treatment, defining lines are difficult to draw.*** For example, the same screening brain scan may indicate a diagnosis of early Alzheimer's disease or depression: Is this a physical or behavioral payment responsibility?
- ***There is considerable redundancy of services and poor communication between primary care physicians and behavioral health providers.*** A demonstration program that took effect in October 1999 is an attempt to model a consultative relationship between primary and behavioral health providers in the management of certain conditions, such as attention deficit disorder and depression. Opinions are divided on its likelihood of success and resulting broad implementation.

■

There seem to be two favored approaches to allocating Medicaid resources.

A state may choose, like California or Tennessee, to spread available resources thin, with broad eligibility and low reimbursement, or it may, like Arizona, provide comparatively generous reimbursement for the care of an extremely low-income population.

■

AHCCCS could not, as a package, be exported to other states, but its approaches, management modes, and processes are worth consideration by other programs.

Much of what has molded AHCCCS is unique to its history, from the lack of an earlier program to a parsimonious legislature to particular leaders and champions. The same crucible cannot be created elsewhere. Moreover, governments have poor tolerance for gradual evolution and growing pains. However, AHCCCS's investment in systems and its long experience make it a rich resource for other programs.

Agenda

Tuesday, January 11, 2000

3:30 pm Bus departure for Flinn Foundation *[Crowne Plaza, headquarters hotel]*

4:00 pm ORIENTATION TO ARIZONA, THE PHOENIX HEALTH MARKET, DEMOGRAPHICS, HISTORY
[Terrace Room, The Flinn Foundation]

John W. Murphy, *Executive Director,* The Flinn Foundation

Merlin K. DuVal, M.D., *Founding Dean,* College of Medicine, University of Arizona, and *Former U.S. Assistant Secretary for Health*

Jon B. Christianson, Ph.D., *James A. Hamilton Chair in Health Policy and Management,* Department of Healthcare Management, Carlson School of Management, University of Minnesota

5:30 pm Reception *[Great Hall, The Flinn Foundation]*

Welcome

Betsey Bayless, *Secretary of State,* Arizona

Wednesday, January 12, 2000

8:00 am Breakfast available, followed by panel discussions *[Pima Room, Crowne Plaza]*

8:30 am ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS) OVERVIEW

Rep. Susan Gerard (R-18), Arizona House of Representatives

Donald F. Schaller, M.D., *Board Chairman Emeritus,* Schaller Anderson, Inc.

Leonard J. Kirschner, M.D., M.P.H., *Former Director,* AHCCCS

Phyllis Biedess, *Director,* AHCCCS

- How has the program changed and evolved over its history? What major problems were encountered in the program over the 17 years since the waiver program began?
- How many Arizonans are enrolled in AHCCCS? What are the eligibility criteria?
- What has been the nature of the interaction between the AHCCCS program and the legislature? Has the relationship between the legislature and the program changed over time? If so, how?
- How have relationships with providers evolved over the program's history? What impact have providers had on the program?
- What relationship has AHCCCS had with health plans over its history? Has there been a different experience with locally based health plans and national plans?
- When did the program firmly establish its presence? Was it early in the program's history or later? What accounted for that solidification?

9:30 am 1115 WAIVERS/BBA

Lynn Dunton, *Assistant Director,* AHCCCS

Judith D. Moore, *Senior Fellow,* National Health Policy Forum

- What are Section 1115 Social Security Act demonstration waivers and how do they work? What are the state and federal roles in waivers?

- Why is AHCCCS still governed by an 1115 demonstration waiver after 18 years?
- How did BBA changes affect AHCCCS and other 1115 waivers?
- What requirements must the state meet because the AHCCCS program is run under an 1115 waiver? Does waiver status offer any particular protections for the state? Does it offer any safeguards for the federal government?

10:00 am Break

10:15 am COMPETITIVE BIDDING, CONTRACTING, AND PERFORMANCE MEASUREMENT

Joseph P. Anderson, *Chairman and Chief Executive Officer,* Schaller Anderson, Inc.

Richard Potter, *Consultant,* William M. Mercer, Inc.

Branch McNeal, *Deputy Director,* AHCCCS

- How has the competitive bidding and contracting process evolved since AHCCCS was first implemented?
- How does the agency establish the acceptable range of bids? What happens to plans whose bids come in below or above the range?
- In addition to price, what are the criteria by which bids are evaluated?
- How does AHCCCS measure plan performance? How are performance measures weighed in the bid evaluation process?
- How does AHCCCS determine the number of contracts to award in a given area? Once a contract is awarded, do plans have to resubmit bids annually? What has been the outcome of bid protests by plans that do not receive contracts?

noon Lunch buffet

12:15 pm KIDSCARE

Diane Ross, *Assistant Director,* Division of Member Services, AHCCCS

Peggy Stemmler, M.D., *Director,* Children's Health Policy Project, Children's Action Alliance

Debi Wells, *Health Policy Advisor,* Office of the Governor

- How many children are currently being served, and what is the KidsCare program's goal for enrolling children over the next few years?
- What benefits does the Arizona KidsCare program provide? How is the KidsCare program structured? How does the program relate to AHCCCS?
- What problems were encountered in enacting the KidsCare legislation and in implementing the program?
- Is there any movement in the legislature to make changes in the program or to expand the number of children served by KidsCare?

1:15 pm Departure for Arizona Physicians IPA (APIPA) offices

1:30 pm APIPA: OUTREACH AND ENROLLMENT, ENCOUNTER DATA, PHARMACY
[Executive Conference Room]

Michael Klimansky, *Vice President of Operations and Chief Operating Officer,* APIPA

Robert Beauchamp, M.D., *Chief Medical Officer,* APIPA

Kathy Busby, *Vice President of Government/Public Affairs and Regulatory Compliance,* APIPA

Joseph G. Gaudio, *Chief Financial Officer, Western Region,* APIPA

Leonard I. Tamsky, M.D., *Senior Medical Director,* APIPA

- How does APIPA fit into the larger structures of UnitedHealth Group?
- What is the plan's enrollment profile?
- From a health plan perspective, what are AHCCCS's strengths and weaknesses?
- What types of outreach methods does APIPA employ to enroll eligible participants? Which are the most (and least) effective?
- What requirements does AHCCCS place on the plan to collect encounter data? Do the plan physicians receive feedback from AHCCCS on these data? How does APIPA use encounter data for internal purposes?
- What strategies does APIPA use to manage its pharmacy benefit for AHCCCS enrollees? What have been the trends in cost and utilization?
- How has APIPA's medical management model changed over time? Is it more restrictive or less restrictive?
- How does Medicaid managed care compare to arrangements with private purchasers? For example, how does oversight by the state government compare to that of private purchasers? How do benefit packages compare?

3:30 pm Departure for Arizona Health Care Cost Containment System offices

3:45 pm ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM—QUESTIONS AND ANSWERS

Phyllis Biedess (see title above) and staff

Tour of KidsCare enrollment center, informal discussion with AHCCCS director and staff

5:00 pm Bus departure for Crowne Plaza

6:30 pm Bus departure for dinner at Rustlers' Rooste

Thursday, January 13, 2000

7:30 am Breakfast available, followed by panel discussions *[Pima Room, Crowne Plaza]*

8:00 am SAFETY NET SERVICES TO THE UNINSURED POPULATION

Carol Kamin, Ph.D., *Chief Executive Officer* Children's Action Alliance

Robert Gomez, *Executive Director,* El Rio Health Center

Mark S. Hillard, *Chief Executive Officer,* Maricopa Integrated Health System

Respondents:

Rep. Laura Knaperek (R-27), Arizona House of Representatives

Rep. Andrew W. Nichols, M.D., (D-13), Arizona House of Representatives

Tony Leombruno, *Benefits Consultant,* Phoenix Chamber of Commerce

Andrew Rinde, *Executive Director,* Arizona Association of Community Health Centers

- What are the demographics characterizing uninsured Arizonans? What assistance programs may be available to them?
- What is the role of tobacco tax-funded state programs?
- What is Premium Sharing?
- What role does the private sector play in delivering care to the uninsured?
- Who are the primary providers of care to this population?

10:15 am BEHAVIORAL HEALTH

Carol Smallwood, *Deputy Assistant Director,* Division of Behavioral Health Services, Department of Health Services

Bonnie Marsh, *Manager, Behavioral Health,* AHCCCS

Michael R. Zent, Ph.D., *Chief Executive Officer,* ValueOptions

Cheryl Collier Becker, *Executive Director,* Mental Health Association of Arizona

Glenn Lippman, M.D., *Chair,* Department of Psychiatry, Maricopa Integrated Health System

- How are responsibilities for behavioral health care divided between AHCCCS and the Department of Health Services?
- What is the role of the regional behavioral health authorities? Has this changed over time?
- Is there a credentialing or other screening mechanism for provider participation?
- What are the lines of communication, referral, and coordination between primary care and behavioral health providers? Who determines when services are medically necessary?
- What efforts have been made to educate AHCCCS enrollees about these benefits?
- What was the court case *Arnold v. Sarn,* and what has its impact been on behavioral health services?

11:45 am Departure for Phoenix Memorial Hospital (PMH)

12:15 pm Lunch and presentation *[Board Room, Phoenix Memorial Hospital]*

PROVIDER PERSPECTIVE, SAFETY NET ISSUES

Reginald M. Ballantyne III, *President and Chief Executive Officer,* PMH Health Resources, Inc., and PMH staff

- Once a patient enters the emergency room or is admitted through other channels, what process does the hospital go through to determine insurance coverage? What if there is no coverage?
- In addition to the hospital, what other facilities and programs does PMH operate?
- What is the outlook for hospitals in Maricopa County? Is further consolidation likely?
- What is PMH's working relationship with AHCCCS? From the provider perspective, what are AHCCCs's strengths and weaknesses?

2:30 pm Departure for Mercy Care Plan offices

2:45 pm QUALITY AND BEHAVIORAL HEALTH ISSUES
[Basement Conference Room, Mercy Care Plan]

Katherine J. Byrne, *President and Chief Executive Officer,* Mercy Care Plan

C. J. Hindman II, M.D., *Corporate Medical Director,* Mercy Care Plan

- How does Mercy Care Plan fit into the larger structures of the Mercy Healthcare Group and Southwest Catholic Health Network?
- What is the plan's enrollment profile?
- From a health plan perspective, what are AHCCCS's strengths and weaknesses?
- What kinds of performance-measurement or quality-improvement data does AHCCCS require the plan to report? How is it used? Are benchmarks or comparisons reported back to the plan?
- What quality-related information is reported to consumers?
- What is Mercy Care's experience with behavioral health services?
- How does the plan handle enrollees eligible for both AHCCCS and Medicare?

4:45 pm Departure for Crowne Plaza

5:45 pm Bus departure for dinner at Desert Botanical Garden

Friday, January 14, 2000

8:30 am Breakfast available after checkout, followed by panel discussion *[Pima Room, Crowne Plaza]*

9:00 am MANAGED MEDICAID: NATIONAL LESSONS FROM AHCCCS

Phyllis Biedess (see title above)

Joseph P. Anderson (see title above)

Leonard J. Kirschner, M.D., M.P.H. (see title above)

Jon B. Christianson, Ph.D. (see title above)

- What are the AHCCCS lessons for other states considering or struggling with Medicaid managed care programs? Are there AHCCCS lessons for Medicare as well as Medicaid? What about lessons for private-sector purchasers? Has AHCCCS solved basic questions that confront administrators who seek to efficiently and effectively provide managed care services to a needy or infirm public population?
- What parts of AHCCCS are "exportable" and what parts are unique to Arizona?
- What features of AHCCCS have been critical to its success and viability?
- What challenges still confront AHCCCS ?

11:00 am Adjournment

Federal and Foundation Participants

Kathryn Allen
Associate Director
Health Financing and Public Health
U.S. General Accounting Office

Chris Bowlin
Professional Staff Member
Committee on Education and the Workforce
U.S. House of Representatives

Kathleen Buto
Deputy Director
Center for Health Plans and Providers
Health Care Financing Administration
U.S. Department of Health and Human Services

David Cade
Deputy General Counsel
U.S. Department of Health and Human Services

Kenneth Cohen
Senior Policy Coordinator
Office of the Executive Secretariat
Office of the Secretary
U.S. Department of Health and Human Services

Debbie Curtis
Legislative Director
Office of Rep. Pete Stark
U.S. House of Representatives

Amy Droskoski
Minority Counsel
Committee on Commerce
U.S. House of Representatives

Edward Grossman
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Legislative Counsel
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Jean Hearne
Specialist in Social Legislation
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Marian Leonardo
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Jason Lee
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U.S. House of Representatives

Steven Lieberman
Executive Associate Director
Congressional Budget Office

Kim Monk
Professional Staff Member
Committee on Health, Education, Labor and Pensions
U.S. Senate

Richard Price
Health Section Head
Domestic Social Policy Division
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Co-Director

Lisa Sprague
Senior Research Associate

Nora Super Jones
Senior Research Associate

Dagny Wolf
Program Coordinator

Biographical Sketches—Speakers and Panelists

Joseph P. Anderson is chairman and chief executive officer of Schaller Anderson, Inc. (SAI). Through an SAI management contract, he served from 1989 to 1997 as president and chief executive officer of Arizona Physicians IPA, Inc., Arizona's largest managed Medicaid plan. Currently, he provides oversight to the health plans managed by SAI in California, Oklahoma, Maryland, and Missouri. He is also chairman of the Maricopa County Area Advisory Committee for HCFA's Medicare Competitive Pricing Demonstration. Prior to forming SAI with Donald F. Schaller, M.D., in 1986, Mr. Anderson was deputy director of AHCCCS.

Reginald M. Ballantyne III is president and chief executive officer of PMH Health Resources, Inc., a system of hospital and ambulatory care, managed care services, medical office centers, senior citizen residential facilities, and other affiliated enterprises. Mr. Ballantyne has been with the Phoenix Memorial system (which has had a series of names) since 1973. He served as chairman of the American Hospital Association in 1997 and as speaker of the AHA House of Delegates in 1998.

Betsey Bayless, originally appointed secretary of state by Gov. Jane Dee Hull in 1997, was elected to that office in November 1998. Before resigning in order to take the oath as secretary of state, she was elected to two four-year terms on the Maricopa County Board of Supervisors, serving as chairman in 1992 and 1994 and as vice-chair in 1997. Earlier, she held several positions in Arizona state government, including director of the Department of Administration and acting director of the Department of Revenue.

Robert F. Beauchamp, M.D., is chief medical officer of APIPA. He previously was strategic medical director for CIGNA. Dr. Beauchamp is a diplomate of the American College of Physician Executives and a fellow in the American Academy of Pediatrics. He served his internship and pediatric residency at the University of Colorado Medical Center.

Cheryl Collier Becker has been executive director of the Mental Health Association (MHA) of Arizona since 1987. Having started as a volunteer MHA board member in 1978, she has taken an active role in many of the changes in Arizona's mental health system, including the development of a children's mental health system, the redesign of the Maricopa County behavioral health system, and an increase in the state budget to over $400 million from $80 million. Ms. Becker chairs the Arizona Behavioral Health Coalition and serves on numerous boards and advisory panels.

Phyllis Biedess, a long-time health care professional in Arizona, was appointed AHCCCS director in April 1999. She had worked with the agency as director of provider management in 1983-84. Most recently, Ms. Biedess was president of American Centers for Health and Medicine in Phoenix, where she developed an integrative program blending eastern and western medicine. She also held positions as president and chief executive officer of Samaritan health plan and of Arizona Physicians IPA, Inc.

Kathy Busby is vice president of government/public affairs and regulatory compliance, having served with United HealthCare and legacy companies since 1992. She has held positions as general counsel, director of provider relations, and manager of regulatory affairs. Earlier, she was in the private practice of law for 11 years.

Katherine J. Byrne has been president and chief executive officer of Mercy Care Plan, an arm of Southwest Catholic Health Network (SWCHN), since 1987. She had previously been acting in that position, serving concurrently as vice president, outreach and ambulatory services, for Carondelet Health Services, Inc. (another SWCHN organization). Her background includes a variety of hospital and health planning positions in Arizona.

Jon B. Christianson, Ph.D., is an economist with extensive research and teaching experience in the financing and delivery of medical care. He holds the James A. Hamilton Chair in Health Policy and Management in the Carlson School of Management at the University of Minnesota. He was the lead author of the Center for Studying Health System Change's *1999 Community Report* on health care in Phoenix.

Lynn Dunton, assistant director for AHCCCS's Office of Policy Analysis and Coordination, has worked in state government for 20 years. She was minority staff director for the House of Representatives for nine years and served as executive consultant to the Division of Developmental

Disabilities before joining AHCCCS nine years ago. In her current position, she prepares AHCCCS legislation, monitors state and federal legislation affecting the program, and serves as primary liaison with HCFA, the state legislature, and the Indian Health Service.

Merlin K. DuVal, M.D., a board-certified surgeon, has long been a leading figure in health circles at both the state and national levels. In 1963, he established a medical college at the University of Arizona, and served as its founding dean. He was appointed assistant secretary for health in the Department of Health, Education, and Welfare in 1971, returning to Arizona in 1973 to take a position as the university's vice president for health sciences. Later, Dr. DuVal served as president of the National Center for Health Education and of Associated Hospital Systems and its successor organization, the American Healthcare Institute. He served for two years as senior vice president for medical affairs at the Samaritan Health Service, before retiring in 1990.

Joseph G. Gaudio is chief financial officer, western region, with APIPA; earlier, he held positions as audit manager, controller, and chief financial officer. Previously, he was an audit senior with Arthur Anderson & Co. Mr. Gaudio is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Healthcare Financial Management Institute.

Susan Gerard is serving her fifth term as a state representative from north central Phoenix. She chairs the House Health Committee as well as serving on the Rules, Public Institutions, and Government Operations Committees. She has been active in the community for two decades as a member of health care task forces and educational foundations.

Robert Gomez has served as executive director of the El Rio Health Center since 1985. El Rio provides medical care to 60,000 active patients who are largely minority and low-income. Mr. Gomez is a past president of the National Association of Community Health Centers and its counterpart organization in Arizona, on whose board he still serves.

Mark S. Hillard is chief executive officer of Maricopa Integrated Health System (MIHS), a position to which he was promoted in 1998 after serving as the system's chief financial officer. MIHS is a $650 million (revenues) system, with a teaching/tertiary hospital, 13 primary and specialty clinics, and four health plans. Earlier, he was chief financial officer at St. Luke's Health System (also in Phoenix).

Clarence James (C. J.) Hindman II, M.D., has been corporate medical director for Mercy Care Plan since 1993. He served briefly in the same capacity for the developmental disability program in the Department of Economic Security. Earlier, he practiced as a pulmonologist, both in private practice and with managed care organizations.

Carol Kamin, Ph.D., is the founding executive director of Children's Action Alliance, a private, nonprofit research and policy development organization that advocates on behalf of Arizona's children. She began her career in state government working for the Department of Economic Security in a variety of positions, including state administrator for the Administration for Children, Youth and Families. In 1986, Dr. Kamin was appointed by Gov. Bruce Babbitt to be the first director of the Governor's Office for Children.

Leonard J. Kirschner, M.D., M.P.H. is director of the Arizona Hospital and Healthcare Association. He was vice president, health care initiatives, with Electronic Data Systems (EDS) from 1993 to 1999. Dr. Kirschner was director of AHCCCS from 1987 to 1993. Earlier, he was medical director at Mercy Care Plan and Phoenix Health Plan, two major AHCCCS contractors. He served on active duty in the United States Air Force for 22 years, commanding four Air Force hospitals.

Michael Klimansky is vice president of operations and chief operating officer for APIPA, responsible for overseeing functions such as information systems, claims, and provider and customer relations, as well as coordinating health care delivery to 138,000 members in 13 Arizona counties. Earlier, he served as director of provider and regional network development. Prior to joining APIPA, Mr. Klimansky was a claims administrator with AHCCCS.

Laura Knaperek was elected to the Arizona House of Representatives in 1995; her committee assignments include the Health and Appropriations Committees. She is currently on a leave of absence from her position as executive director of the Arizona Consortium for Children with Chronic Illness.

Tony Leombruno is the general agent, founder, and president of L & A Services, Inc., a health and life insurance brokerage. He also serves as benefit consultant to the Greater Phoenix Chamber of Commerce. Mr. Leombruno is a recipient of the Health Underwriter Association's Distinguished Service and Achievement Award.

Glenn Lippman, M.D., a board-certified psychiatrist and a fellow of the American Psychiatric Association, is chair of the Department of Psychiatry in the Maricopa Integrated Health System. He has held numerous clinical and

administrative positions in Arizona and Washington State, including four years as superintendent of the Arizona state hospital and medical director for the state's Division of Behavioral Health.

Bonnie Marsh is manager, behavioral health, in AHCCCS's Office of Managed Care. She came to the agency in 1996 after serving in a variety of positions (including director of nursing services and director of member services, grievance, and appeals) with COMCARE. She had earlier experience with hospital-based behavioral health programs. Ms. Marsh began her career as an R.N., gradually taking on larger coordination and management roles.

Branch McNeal, a certified public accountant who has worked in financial and executive management positions within AHCCCS since 1992, was appointed the agency's deputy director in August 1999. In addition to overseeing the agency's "delivery system" divisions, which deal with contractors and members, he oversees the Premium Sharing Program, the HealthCare Group program for small business, and the Office of Provider Integrity. Previously, he served as assistant director of the AHCCCS Office of Managed Care.

Judith D. Moore is a senior fellow at the National Health Policy Forum, where she specializes in work related to the health needs of uninsured, poor, and vulnerable persons. Prior to joining the Forum in September 1998, Ms. Moore was a long-time federal employee in the legislative and executive branches of government. At the Health Care Financing Administration, she directed the Medicaid program and the Office of Legislation and Congressional Affairs, as well as serving as special assistant to two administrators. Earlier, she held positions with the Public Health Service, Food and Drug Administration, Agency for Health Care Policy and Research, and the Prospective Payment Assessment Commission.

John W. Murphy is executive director of the Flinn Foundation, one of Arizona's largest private grant-making foundations. Prior to taking this position in 1981, he was a program officer with the Robert Wood Johnson Foundation. Mr. Murphy is a past chairman of Grantmakers in Health.

Andrew W. Nichols, M.D., M.P.H. is a state representative from Tucson. He has been a member of the Health Committee since 1993. Dr. Nichols also is director of the Rural Health Office at the University of Arizona, serves as chair of public health services for the Arizona-Mexico Commission, and teaches family and community medicine at the university's College of Medicine. In the late 1970s, Dr. Nichols was a Robert Wood Johnson Health Policy Fellow at the Institute of Medicine in Washington, D.C.

Richard Potter is a consultant in the Phoenix office of William M. Mercer, Inc. He joined the firm in 1998 in the government health care practice. Previously, Mr. Potter was deputy director of AHCCCS, responsible for directing daily operations, strategic planning, and implementation of major health care delivery programs. He also served AHCCCS as assistant director and financial manager. Before joining AHCCCS, Mr. Potter was a senior audit manager with KPMG Peat Marwick in Los Angeles.

Andrew Rinde is executive director of the Arizona Association of Community Health Centers (AACHC), a position he has held since 1989. He has more than 30 years' experience in the health care industry as hospital administrator, health care executive, and senior management consultant. Prior to joining AACHC, he was for four years president of Rinde Enterprises, a Phoenix health care management consulting firm. Earlier, he served nine years in various management positions with the St. Luke's Health System.

Diane Ross is assistant director of AHCCCS's Division of Member Services. She joined the agency in 1987, serving as financial eligibility manager during the design and implementation of the Arizona Long Term Care System. Earlier, Ms. Ross spent 30 years working with state and federal welfare programs in Missouri and Arizona.

Donald F. Schaller, M.D., is the former chairman and president of Schaller Anderson, Inc., and a leading authority on managed care delivery systems. Under an SAI contract, he was senior vice president for managed care programs for Samaritan Health. Prior to forming SAI, Dr. Schaller was director of AHCCCS. He co-founded one of Arizona's first HMOs and later served as senior vice president and medical director for CIGNA health plan. Dr. Schaller served for five years on the board of directors of the National Committee for Quality Assurance.

Carol Smallwood joined the Arizona Department of Health Services Division of Behavioral Health Services in June 1998 as the deputy assistant director. She previously served as director of operations for four AHCCCS health plans and as a health care analyst on the minority staff of the House of Representatives.

Peggy Stemmler, M.D., is senior program associate in health policy at the Children's Action Alliance (CAA). She directs Arizona's Covering Kids project, funded by the Robert Wood Johnson Foundation. After completing

her pediatric and chief residencies, Dr. Stemmler spent three years as a consultant to the Philadelphia Department of Public Health, Office of Maternal and Child Health. Upon moving to Arizona, she practiced at the Maricopa County Medical Center before joining CAA in early 1998.

Leonard I. Tamsky, M.D., has been a medical director with APIPA for four years, serving as senior medical director for the last three. Prior to joining APIPA, he spent 21 years with the Maricopa County Health System, the last six as chief medical officer. Dr. Tamsky completed his residency in internal medicine at the U.S. Public Health Service Hospital in San Francisco.

Debi Wells is the health policy advisor to Gov. Jane Dee Hull, responsible for overseeing policy issues related to the Department of Health Services and AHCCCS. Previously, she was for nine years the executive administrator of AHCCCS's policy office. Her past experience also includes working with the legislature and state agencies in Michigan.

Michael R. Zent, Ph.D., is chief executive officer of ValueOptions, the Maricopa County Regional Behavioral Health Authority (RHBA). Under a risk- and performance-based contract with the Arizona Department of Health Services, ValueOptions manages care for over 300,000 Medicaid-eligible individuals, disbursing approximately $180 million in Medicaid and other state and federal funds for mental health. Dr. Zent previously was chief executive officer for Southeastern Arizona Behavioral Health Services, the RHBA for Pima County (Tucson) and four southeastern counties. Earlier, he had experience managing behavioral health programs and operations for the Department of Health Services.

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