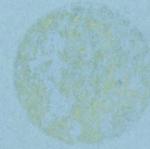


L.G. 3: P. 63/1998

ARIZONA STATE LEGISLATURE



**PREMIUM SHARING DEMONSTRATION
PROJECT OVERSIGHT COMMITTEE**

ANNUAL REPORT

November 1998

COMMITTEE MEMBERS

Representative Laura Knaperek
Co-chair
Representative Herschella Horton
Representative Jim Weiers

Senator Scott Bundgaard
Co-Chair
Senator Sue Grace
Senator Sandra D. Kennedy

Premium Sharing Demonstration Project — Legislative Overview

Background

Laws 1996, Chapter 368 established a three-year Premium Sharing Demonstration Project to provide access to health care for the uninsured through a cost-sharing arrangement with Arizona Health Care Cost Containment System (AHCCCS) health care plans and providers. The legislation also created the AHCCCS Premium Sharing Demonstration Project Implementation Committee to make recommendations regarding implementation of the program.

The Committee's recommendations were adopted during the 1997 regular legislative session in House Bill 2467, which established the following criteria of the Project:

- ▶ Enrollees' allowable annual household gross income was limited to 200% of Federal Poverty Level (FPL) and they had to be ineligible for other federal and state benefit programs.
- ▶ The chronically ill household income was limited to 400% of FPL.
- ▶ Copayment and premium amounts for medical services were required. The portion of the premiums for enrollees under 200% FPL was not to exceed 4% of the enrollee's household gross income.

House Bill 2467 established the Premium Sharing Demonstration Project Oversight Committee to review the capitation rates and premiums adopted by the AHCCCS administration and report on or before November 15 regarding the committee's recommendations and observations on the Demonstration Project's implementation and operation.

On September 23, 1997, the Oversight Committee discussed barriers to full implementation of the program and legislative proposals to assist AHCCCS in implementing the Project. During a special session in November, 1997, lawmakers passed a measure enabling the AHCCCS administration to implement the Project beginning February 1, 1998.

Since program implementation was delayed for one year, lawmakers, during a 1998 special session, extended the Demonstration Project for an additional year, until October 1, 2001.

1998 Committee Hearing

The Premium Sharing Demonstration Project Oversight Committee met on October 13, 1998 to: (1) review the report on the Project by the AHCCCS administration; (2) receive an evaluation of the Project prepared by the Arizona Legislative Council staff; (3) review the capitation rates and premiums; and (4) take public testimony.

AHCCCS staff presented an overview of the program, including enrollment and demographic data. Legislative Council staff presented their report and evaluation of the Project. Although the Project has only been enrolling members since February, 1998, Legislative Council staff were able to identify some preliminary findings, including:

- ▶ The large influx of chronically ill applicants that was expected early in the program has not occurred.
- ▶ The distribution of applicants and enrollees by county has defied expectations with a disproportionately larger share of enrollees residing in Pima, Cochise and Pinal, and fewer than expected applicants from Maricopa County.
- ▶ The target population appears to be predominantly single individuals and small households earning an income above the FPL, although there is a significant number of applicants who were already enrolled in AHCCCS.

Program Costs

The AHCCCS administration presented the following capitation and premium costs as of October 5, 1998.

The capitation paid from Feb. 1998 through Sept. 1998 for all plans:	\$1,646,700
The average premium share for a family of one: <i>(premiums range from \$0 to \$33 monthly)</i>	\$18
The average tobacco tax fund premium per member:	\$213
Projected capitation per month:	\$614,040

Public Testimony

Paul Olsen, Cochise County Medical Assistance Premium Sharing Program, testified that he thought the program was working well in Cochise County and recommended that the program be offered statewide. He also stated that more funding was needed for administrative costs.

Committee Discussion

The following issues were raised by the Committee members:

1. The Legislature should consider increasing reimbursement for administrative costs of the Project, not to exceed 4% of the total amount allocated for the Project.
2. The Legislature may want to look into statewide implementation of the Project.
3. Statutory or rule changes may be necessary in order to address the provision that an applicant be without health insurance for the prior six month period.
4. In order to promote outreach, the Legislature should remove any barriers of distributing information on the Project and KidsCare through schools.

Attachments

1. Committee meeting notice and minutes
2. AHCCCS Semiannual Report to the Project Oversight Committee
3. Aggregate statistics published in the Evaluation Report prepared by Legislative Council Staff

Minutes of

PREMIUM SHARING DEMONSTRATION PROJECT OVERSIGHT COMMITTEE

Tuesday, October 13, 1998

2:00 p.m. - House Hearing Room 2

Co-chair Laura Knaperek called the meeting to order at 2:15 p.m. and attendance was noted. See attached sheet for other attendees.

Members Present

Senator Grace

Representative Horton

Representative Knaperek, Co-chair

Staff

Jason Bezozo, Senate Staff

Liana Martin, House Staff

Members Absent

Senator Kennedy

Representative Weiers

Senator Bundgaard, Co-chair

OPENING REMARKS

Representative Knaperek expressed her pleasure with the administration of the Premium Sharing Demonstration Project, noting that the program started on February 1, 1998. She said she felt the Committee would have a good idea of what to expect from the report on the Project by the Arizona Health Care Cost Containment System (AHCCCS) and Legislative Council.

REPORT ON THE PROGRAM BY AHCCCS

Leigh Cheatham, Executive Director, Premium Sharing Administration, informed the Committee she had been in her new position for approximately four weeks and presented slides of an overview of the project. Copies of the slides were distributed to the members (filed with original minutes). Ms. Cheatham reviewed the slides and made herself available for questions.

Representative Horton questioned a part of the presentation in which Ms. Cheatham referred to a problem with some of the demographic data. Ms. Cheatham explained the data was driven by income statistics that were old when they were applied and that it was her hope that more current data could be presented. Representative Horton said she believed it was significant that the highest percentage - 37.8% - earned \$1,500 or less per month but that it was unknown how many people were in that family. Representative Horton next asked how Cochise County, and other counties, were paying for their outreach programs. Ms. Cheatham said she believed that public service announcements were being used. Representative Horton asked for examples of the types of health conditions

applications were listing and what the most common conditions were. Ms. Cheatham indicated that information would be presented by Legislative Council.

PREMIUM SHARING EVALUATION BY LEGISLATIVE COUNCIL

Chris Fiscelli, Legislative Council, referred to the document distributed to the Committee entitled "*An Evaluation of the Premium Sharing Demonstration Project*" (filed with original minutes) and gave a brief history and background of the creation of the three-year Premium Sharing Demonstration Project. Mr. Fiscelli explained the methodology and data collection as described on page 6 of the document, and referred the Committee members to attachments A and D which consist of an application for the program and a member survey.

Mr. Fiscelli directed the Committee to page 8, the "Premium Sharing Program Summary." He noted that table 1 indicated the number of household members involved in the program, table 2 listed the number of applications and member status, and table 3 shows applications by both category and county. Mr. Fiscelli continued to review tables 4 through 8. Senator Grace asked when the data was last collected for the tables. Mr. Fiscelli said the numbers were current as of September 3, 1998.

Representative Knaperek asked what other reasons might be for ineligibility to the program.

Liz Powers, representing the Premium Sharing Administrative Office, explained reasons for ineligibility included applicants who already qualified for or had Medicare coverage or that their medical coverage had ended only three months prior whereas requirements stress a six month time span without insurance coverage.

Mr. Fiscelli returned to discuss page 14, tables 9, 10 and 11 which list monthly household income distribution, distribution of household income by percentage of the poverty limit, and the reasons for applying to the Premium Sharing Program. Representative Knaperek inquired about the "Other" category on the table. Mr. Fiscelli explained answers given did not fit the categories already established.

Mr. Fiscelli reviewed tables 12 and 13 noting that it was possible that applicants misunderstood questions which led to results different than expected. He asked that the Committee "skip" table 14 as it did not represent a good response and that the question relating to out-of-pocket costs may be eliminated or rephrased for a better response.

Mr. Fiscelli reviewed tables 15 through 23 which listed household size, choice of health plan by enrollees, and member profiles.

Mr. Fiscelli reported the conclusions of the report to the Committee; i.e., the large influx of chronically ill applicants that was expected early in the program had not occurred, the distribution of applicants and enrollees by county has defied expectations with a disproportionately larger share of enrollees residing in Pima, Cochise and Pinal Counties with fewer than expected applicants from Maricopa County, and the target population appears to be predominantly singles and small households earning an income above the Federal Poverty Level (FPL).

Lynn Dunton, Assistant Director, AHCCCS, informed the Committee that the average premium is \$18 for a family of one, and that premiums go from \$0 to \$33 monthly. She added that if the person is enrolled in the chronically ill program, the premium is \$410 per person unless the person is under 200% of the FPL. Senator Grace referred to a report given last year in which findings indicated a large number of people were offered insurance but do not choose to purchase it. She further emphasized the significant premium for chronically ill participants. Ms. Dunton responded that the premiums are heavily subsidized for those in the 0% to 200% FPL and that the average premium share payment is \$18. She further noted that capitation is running an average of \$614,000 monthly. Representative Horton asked what percentage of those covered individuals are paying the actual costs. Ms. Dunton estimated the amount at 8%.

Steve Schramm, Health Care Group, Mercer, informed the Committee the rate setting approach was conservative and that he believed the Premium Sharing Program had established a good starting point for rates.

Ms. Dunton responded, noting that the application process had led to the discovery of some problems and "roadblocks" to streamlining the system. She informed the Committee that applications are no longer being held as long, and that phone calls are made to applicants to clarify information. She said it was the Program's goal to get the time period from application to approval shortened. Ms. Dunton further pointed out that there were already 2,000 applications in house for the KIDSCARE program, and that program had not yet started. Representative Knaparek asked how much was spent on the Premium Sharing Program for advertising and administrative costs. Ms. Dunton revealed the Program was capped at 2% for administrative costs. In response to a second query, Ms. Dunton explained the new application would be out shortly along with a Spanish-language version.

Paul Olsen, Cochise County Medical Assistance Premium Sharing Program, said he was skeptical of the Premium Sharing Program at first but that he felt his concerns had been resolved and that he had heard positive things from constituents. He said he felt the program was a good one that should go statewide but that more funding was needed for administrative costs. He mentioned the types of outreach taking place in Cochise County which included articles in local newspapers and public service announcements. He said

**PREMIUM SHARING DEMONSTRATION
PROJECT OVERSIGHT COMMITTEE**

**October 13, 1998
Page 4**

that staff had been trained in application assistance and that a ten-day time limit for applications had been established. He affirmed his pleasure with the Program and how it was working in Cochise County. Representative Knaperek agreed administrative funding should be increased and that discussions be held regarding making the Program statewide.

Ms. Dunton informed the Committee of problems associated with Proposition 203 and the Health Care Financial Administration Program (HCFA) and decisions which indicated the State could not put enrollment caps on Medicare programs. She noted that since this information was first distributed, HCFA has decided that enrollment caps are critical for 16, 17 and 18 year olds. Ms. Dunton added she did not believe this was a major issue but that the Committee should be aware of the discussion.

(Tape 1, side B)

Senator Grace commented on the possibility of distributing information on the Premium Sharing Program and KIDSCARE through the schools. She spoke in support of giving maximum flexibility for maximum outreach.

Representative Knaperek noted the Committee needs to look further at the flexibility aspects of the Premium Sharing Demonstration Project.

Without objection, the meeting was adjourned at 3:25 p.m.

Respectfully submitted,



Arlene Seagraves, Committee Secretary

(Tapes and original minutes on file in the Office of the Secretary of the Senate)

See in file

602-417-4447

ARIZONA STATE LEGISLATURE

Interim Meeting Notice

Open to the Public

PREMIUM SHARING DEMONSTRATION PROJECT OVERSIGHT COMMITTEE MEETING

DATE: Tuesday, October 13, 1998

TIME: 2:00 p.m. *2:15pm*

PLACE: House Hearing Room 2 *ady 3:25pm*

AGENDA

- I. Opening Remarks
- II. Report on the Project by AHCCCS
- III. Premium Sharing Evaluation by Legislative Council
- IV. Review of Capitation Rates and Premiums
 - A. Application Process
- V. Public Testimony
- VI. Discussion and recommendations
- VII. Adjourn

MEMBERS:

Senator Bundgaard, Co-Chair
 Senator Grace ✓
 Senator Kennedy

Representative Knaperek, Co-Chair ✓
 Representative Horton ✓
 Representative Weiers

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People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 542-3032, (TDD) 542-6241.



Arizona family health coverage

**SEMIANNUAL REPORT
TO THE PREMIUM SHARING DEMONSTRATION
PROJECT OVERSIGHT COMMITTEE
October 1, 1998**

**ARIZONA HEALTH CARE
COST CONTAINMENT SYSTEM**

Premium Sharing Administration



INTRODUCTION

The AHCCCS Administration is providing the second semiannual report on the implementation and operation of the Premium Sharing Program (PSP) in accordance with Laws 1997, Ch. 186, § 6. The PSP was established in four of Arizona's 15 counties: Cochise, Maricopa, Pima, and Pinal. The program was established for families that do not qualify for AHCCCS, and who can not afford private health care coverage. Individuals, including chronically ill individuals, who have a gross annual household income at or below 200% federal poverty level (FPL) must not have had health care coverage, other than AHCCCS, for six months prior to applying for the PSP. Chronically ill participants with a gross annual household income above 200% of FPL, but below 400% of FPL, may also be eligible if they have been enrolled in the Medically Needy/Medically Indigent (MN/MI) program for 12 of the preceding 15 months prior to applying for the PSP.

IMPLEMENTATION

The Premium Sharing Program (PSP) was implemented February 1, 1998. To plan the implementation of the program, a work group was formed consisting of representatives from AHCCCS, Healthcare Group, Legislative Council, Arizona Physicians IPA, Mercy Care, and University Physicians. The work group continues to meet once a month to discuss and resolve post-implementation issues.

APPLICATION

Of the 37,360 applications that have been distributed since the inception of the program, the Premium Sharing Administration (PSA) received applications from 3,914 households. Of the submitted applications, 2,502 (64%) were incomplete, usually because the applicant failed to attach income verification. Previously, the PSA returned incomplete applications to applicants for completion; however, the PSA no longer returns applications. Instead, the PSA works with the applicant to obtain the information needed to complete the application.

To reduce the number of incomplete applications, the work group approved a revised application for the PSP. The revised application is more user-friendly, easier for the applicant to complete, and more practical for data-gathering by the PSA. The PSA has also completed a Spanish version of the revised application. Both versions were distributed for testing in July and feedback regarding the new forms was positive. The PSA will implement the new application forms in October, 1998.

QUALITY CONTROL

The AHCCCS Administration implemented a Quality Control program for the PSP. The initial results are positive; 57 cases have been reviewed and seven cases (12.3%) were determined ineligible. The majority of ineligible cases resulted from errors in calculating income. This is consistent with national trends which indicate that income is the most frequent error problem in determining Medicaid eligibility. AHCCCS has formed a corrective action team which is reviewing the causes for the errors and developing an appropriate corrective action plan.

GRIEVANCE

Members have filed no grievances against the PSP health plans. However, PSP applicants have filed 25 requests for hearings with the AHCCCS Office of Legal Assistance (OLA) following denials of eligibility based on the following determinations: over income, applicant has other health coverage, and alien status. Ten grievances (40%) have been resolved in a pre-hearing conference with the applicants. Three (12%) grievances have been heard by OLA, while nine (36%) are currently pending a hearing. The remaining three (12%) grievances were no-shows or determined untimely.

CLIENT SATISFACTION

At this time, no data is available regarding client satisfaction. Legislative Council has developed an instrument to measure client satisfaction. The instrument will be mailed to PSP members in December, 1998. In addition, Legislative Council has developed a disenrollment survey that will be mailed to members upon disenrollment beginning in October, 1998.

ENROLLMENT

Figure 1 shows total new enrollment per month. A total of 1,323 (33.8%) households, or 2,240 individuals, have been enrolled in the PSP: 2,194 (97.9%) individuals in the general pilot and 46 (2.1%) in the chronically ill pilot. As of the completion of this report, the PSA has approved an additional 160 individuals for coverage beginning in October 1998. The average capitation rate for members is \$232 per month. Members pay an average \$18 per member per month premium.

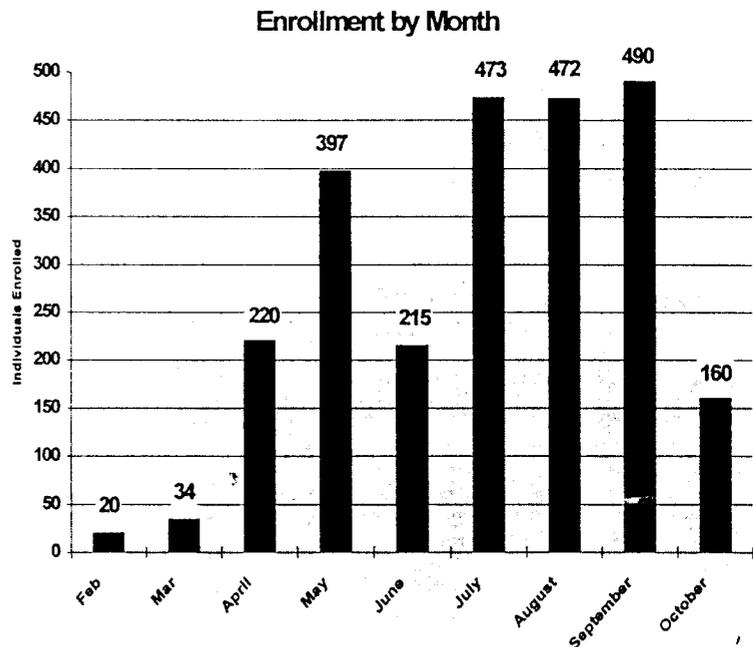
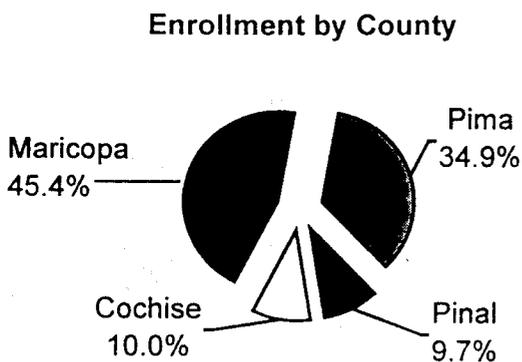


Figure 1

Enrollment in the Premium Sharing Program has declined since eligibility staff is needed to process the six-month eligibility redeterminations, required by statute. The redeterminations require the same amount of review time as the initial application reviews. The 2% administrative funds allocated for the program limited the number of full-time positions that could be hired for the Premium Sharing Program. As a result, three full-time employees (FTEs) were established. One FTE is responsible for performing the eligibility determinations of the initial applications, 1 FTE is responsible for the six-month eligibility redeterminations, and 1 FTE is responsible for all data entry into the Premium Sharing system.



The PSA enrolled 1,016 (45.4%) individuals who live in Maricopa County. Pima County is the next largest with 782 (34.9%) enrolled individuals. Pinal County is the home of 217 (9.7%) enrolled individuals, and 225 (10.0%) enrolled individuals live in Cochise County (Figure 2).

Figure 2

The PSA enrolled 1,158 individuals (51.7%) with Arizona Physician's IPA (APIPA), 776 individuals (34.6%) with Mercy Care, and 306 individuals (13.6%) with University Physicians (Figure 3). APIPA and Mercy Care serve all four pilot counties while University Physicians serves only Pima County and Cochise County.

The PSA determined 827 households or 2,580 individuals ineligible for the program. The majority of ineligible applicants (57.8%) are ineligible due to other health insurance coverage including: private coverage, Medicare, AHCCCS, and Veteran's Administration coverage. An additional 13.5% are ineligible due to a failure to pay the initial two-month premium and 13.4% are ineligible because their income exceeds the income limit.

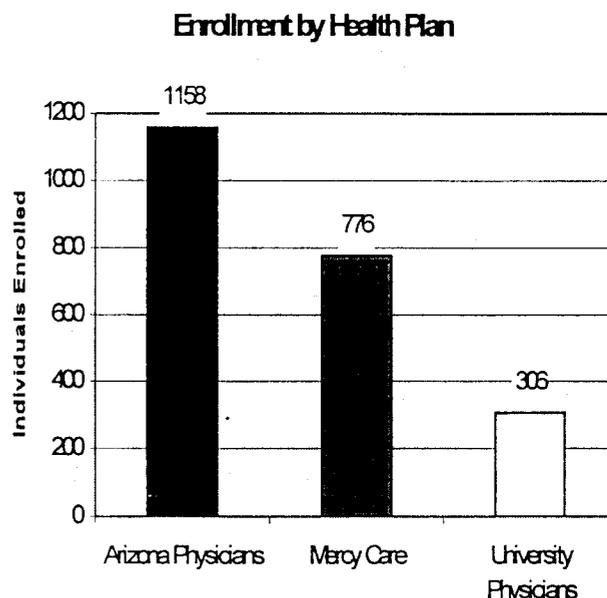


Figure 3

CHRONICALLY ILL PILOT

The PSA has enrolled 46 chronically ill members whose household income is under 200% of FPL. Members enrolled in the Chronically Ill Pilot with household income under 200% of FPL have the following conditions:

- | | |
|------------------------------|-----------------------------------|
| Cardiomyopathy | Congenital Heart Disease |
| Chronic Liver Disease | Hematologic Cancer patients |
| Chronic Pancreatitis | History of Solid Organ Transplant |
| Chronic Rheumatoid Arthritis | Metastatic Cancer |

To date, there are no chronically ill members with income between 200% and 400% of FPL. Applicants with income between 200% and 400% of FPL have indicated they are unable to pay the \$410 monthly premium per household member.

DEMOGRAPHIC DATA

PSP Demographic Data		
Total Enrolled: 2,240		
Age	Gender	Marital Status
18 & under: 30.3%	Female: 64%	Married: 39.7 %
19 – 29: 10.9%	Male: 36%	Divorced: 25.6%
30 – 39: 14.3%		Single: 23.0%
40 – 49: 14.4%		Widowed 8.3%
50 – 59: 17.9%		Separated: 3.1%
60 – 65: 11.8%		Common Law: 0.3%
66 & over: 0.4%		

Average Income	Household Members	Race
500 and under: 12.6%	1 61.3%	White 52.5%
501 – 1,000: 37.9%	2 20.8%	Hispanic 38.8%
1,001 – 1,500: 30.6%	3 9.1%	African-American 4.4%
1,501 – 2,000: 11.7%	4 8.8%	Asian/Pacific Islander 1.8%
2,001 – 2,500: 4.7%		Native American 0.9%
2,501 – 3,000: 2.1%		Other 1.6%
3,001 – 3,500: 0.3%		
3,501 – 4,000: 0.1%		

COORDINATION

As required by law, the PSA will screen applications for potential eligibility for Title XIX, the State Children's Health Insurance Program (KidsCare), and 100% of FPL, if enacted. PSA will refer potentially eligible persons to apply for the appropriate program.

QUESTIONS?

For more information, please contact:

Leigh Cheatham
Executive Director

or

Colleen Schroeder
Administrator

Premium Sharing Administration
700 East Jefferson Street, Suite 200
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Phone: (602) 253-9119
Fax: (602) 253-4947

Premium Sharing Program October 1 Report Highlights
October 13, 1998
Legislative Council

⇒ **Enrollment**

- 1,323 households (2,268 individuals) have been enrolled.
- 609 households (2,128 individuals) have been found ineligible.
- 68 households (130 individuals) have been disenrolled.
- 2,259 household applications (5,028 individuals) have been received.
- 46 chronically ill individuals have been enrolled.

⇒ **Demographic/Statistical**

- Average enrollee household monthly income is \$1,066 (median is \$984).
- 59% of enrolled households earn more than the poverty limit.
- 57% of all enrolled households have at least one member employed full or part-time.
- Average household size is 2.19, 61% of enrolled households are tier 1.
- 29% of enrollees are less than 18 years old.
- 65% of enrollees have a preexisting health condition.
- 46% of enrollees live in Maricopa County, 35% live in Pima County, 10% live in Cochise County and 9% live in Pinal County.

⇒ **Financial**

- The current total balance for the PSP is \$62,311,857.
- \$158,673 has been collected in member premiums since inception (\$75,098 in FY 99).
- \$1,141,890 has been paid by AHCCCS to the health plans in premiums since inception (\$710,790 in FY 99).
- Health Care Group has spent \$332,396 on administration (\$29,418 in FY 99).

⇒ **Administrative**

- A pilot application (500 forms) has been tested with a return rate of 70%.
- 2,726 total applications have been returned to the applicant.
- AHCCCS has developed and is distributing a new application.

⇒ **General Observations of Significance**

- The large influx of chronically ill applicants that was expected early in the program has not occurred.
- The distribution of enrollees by county is much different than was expected with a smaller percentage of enrollees in Maricopa County and a larger percentage in Pima, Cochise and Pinal.
- The target population appears to be singles and small families earning above the poverty limit.