

**REPORT
 HIGHLIGHTS**
 PERFORMANCE AUDIT

Our Conclusion

The Arizona Health Care Cost Containment System (AHCCCS) has established various processes to help meet federal and state requirements for identifying members with other health insurance, ensuring these other insurers first pay for a member's medical costs, and recovering monies from other liable parties after members' healthcare costs have been paid. However, AHCCCS can further help ensure that it pays for medical benefits only after other responsible parties have first paid their share by implementing additional oversight procedures and using additional federal data. Further, AHCCCS should establish an additional oversight procedure of its post-payment recovery contractor, document decisions to accept less than the settlement amount recommended by its contractor, and seek additional data-sharing agreements to enhance its recoveries.



2012

Coordination of benefits is an important part of Arizona's Medicaid program

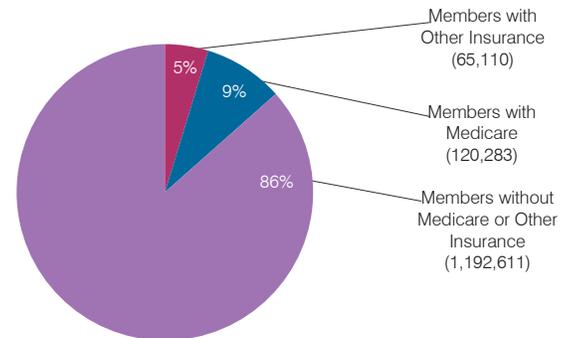
Majority of AHCCCS program operates under managed care model

Medicaid is a federal healthcare program for certain low-income individuals and families that is jointly funded by federal and state governments. AHCCCS is Arizona's state program that provides these benefits to eligible persons primarily through a managed care system. Under this system, AHCCCS contracts with health plans, which coordinate and pay for the medical services AHCCCS members receive from healthcare providers. To cover the costs of coordinating and paying for members' healthcare, the contracted health plans receive monthly capitation payments for each enrolled member.

Coordination of benefits—Federal regulation and state laws require that AHCCCS pay for medical benefits only after other responsible parties have first paid their share, making AHCCCS the payor of last resort. This process is called coordination of benefits. Coordination of benefits involves two key areas—*cost avoidance* and *post-payment recovery*.

To perform *cost avoidance*, AHCCCS has processes to determine at the time of enrollment whether the person has Medicare or private health insurance. If the member has such coverage, the AHCCCS-contracted health plan must ensure that Medicare or the private health insurance covers the cost of the medical care before the health plan uses its capitation payment to pay the claim. For fiscal

Number and Percentage of Medicaid Population with Medicare or Other Insurance as of September 2011



year 2011, AHCCCS reported that its contracted health plans avoided more than \$838 million in claims costs.¹

Although the State does not recover any of those avoided medical costs, it benefits from reduced capitation rates. Those rates are adjusted at least annually, taking into consideration the health plans' reduced medical costs from the coordination of benefits.

For about 10 percent of its members, AHCCCS pays healthcare providers directly on a "fee-for-service" basis, rather than making capitation payments to health plans. The costs avoided when AHCCCS determines these members have Medicare or other health insurance represent actual dollar savings for AHCCCS. For fiscal year 2011, about \$90 million in fee-for-service healthcare costs were paid by Medicare or other insurance instead of AHCCCS.

The other type of coordination of benefits is *post-payment recovery*. This is money recovered after AHCCCS or its health plans have paid for a member's medical services and later discover that there is a

¹ According to AHCCCS, this amount does not include an additional \$307 million in claims costs that its contracted health plans also reported avoiding. The health plans incurred no financial obligation for these costs because they were entirely the responsibility of a third party and were not submitted to AHCCCS for processing.

party responsible for such medical costs. These responsible parties are discovered through questionnaires sent to members with trauma-type injuries, by matching data with national insurance coverage databases, and by receiving information from the member's attorney. Any post-payment recoveries that AHCCCS receives related to its fee-

for-service members are returned to the federal government and the State General Fund, and used to pay AHCCCS' contractor, Health Management Systems, Inc. (HMS), who helps with this function. AHCCCS' managed care health plans that receive post-payment recoveries are allowed to retain them under certain circumstances.

AHCCCS should implement additional oversight procedures and use additional federal data

AHCCCS has processes in place that help it comply with federal regulation and state laws requiring that it be the payor of last resort. For example, it receives data from the federal government to identify whether members have Medicare, and it has a contract with HMS to match its members with a national health insurance database. Although it has an informal process in place to monitor HMS, AHCCCS should develop and implement written procedures to monitor HMS' efforts to identify members with other insurance.

AHCCCS should also use data from the U.S. Departments of Veterans Affairs and Defense and

Office of Personnel Management to determine if there are veterans' benefits or federal healthcare coverage that should be used to avoid costs.

Recommendations:

AHCCCS should:

- Develop and implement written procedures to monitor HMS' efforts to identify members with other insurance.
- Reactivate plans and establish procedures to develop and implement data searches using additional federal information and track and calculate those costs avoided.

AHCCCS should implement additional procedures and data-sharing agreements

When it is discovered that an AHCCCS member is involved in an incident where a third party is responsible for the member's healthcare expenses, such as a car accident, AHCCCS' contractor, HMS, prepares case settlement information that includes the healthcare expenses paid, the settlement offer, and the formulas required to determine the appropriate settlement amount. AHCCCS reviews the settlement document, verifies HMS' calculated value of the healthcare costs paid, and approves the settlement amount. However, AHCCCS does not review those cases where HMS recovers from a liable third party the full amount AHCCCS paid. Also, in some cases, AHCCCS might accept less than the settlement amount that HMS has recommended—for example, when the legal costs to pursue the recommended settlement would outweigh the additional monies it might receive.

AHCCCS should pursue other sources of information that would help post-recovery. A data-sharing

agreement with the Motor Vehicle Division to obtain motor vehicle accident data would help AHCCCS identify members involved in car accidents. Similarly, a data-sharing agreement with the Industrial Commission would help AHCCCS identify members who are receiving workers' compensation for work-related illnesses and injuries.

Recommendations:

AHCCCS should:

- Review a sample of cases where the liable third party paid in full to ensure that HMS included all healthcare costs and valued the case properly.
- Document reasons for accepting less than the recommended settlement amount and have HMS include that information in the case file.
- Establish data-sharing agreements with the Motor Vehicle Division and the Industrial Commission.