

February 26, 2004

Meredith Robertson  
CMS, SCHIP Project Officer  
7500 Security Blvd.  
Mail Stop S2-01-16  
Baltimore, Maryland 21244-1850

Kaihe Akahane  
CMS, SCHIP Coordinator  
75 Hawthorne Street, 5th Floor  
San Francisco, CA 94105

Dear Meredith and Kaihe:

Enclosed is the KidsCare State Plan Amendment (SPA) 04-001 on cost sharing effective February 1, 2004 and July 1, 2004.

Please find included: Section 1, Section 8, Section 9, Attachment S. I have also included an attachment on Cost Sharing Calculations for February 1, 2004 and July 1, 2004 to address your question on the 5% limitation.

The following table indicates the number of enrollees who have income from 100% - 150% FPL, 150% - 175% FPL and 175% -200% FPL.

	<b>100% - 150% FPL</b>	<b>150% - 175% FPL</b>	<b>175% - 200% FPL</b>
<b>Adults</b>	3,328	3,376	2,820
<b>Children</b>	23,072	6,449	16,237

If you have any questions about the enclosed SPA, please contact me at (602) 417-4447.

Sincerely,

Lynn Dunton  
Assistant Director  
Office of Intergovernmental Relations

c: Linda Minamoto

Enclosure

S:\OPC\State Plan\Title XXI\2004\04-001\cvr-ltr Prem amts 2.doc

# Section 1



## General Description and Purpose of the State Child Health Insurance Plan

Effective Date: 02-01-04 (premiums >150% FPL) 1  
Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

**Section 1. General Description and Purpose of the State Child Health Plans and State Child Health Plan Requirements (Section 2101)**

**1.1 The state will use funds provided under Title XXI primarily for (Check appropriate box) (42 CFR 457.70):**

**1.1.1 X Obtaining coverage that meets the requirements for a separate child health program (Section 2103); OR**

**1.1.2. Providing expanded benefits under the States Medicaid plan (Title XIX); OR**

**1.1.3. A combination of both of the above.**

In May 1998, the Arizona legislature approved Senate Bill 1008 (Laws of 1998, Chapter 11) authorizing the implementation of a Title XXI Child Health Insurance Program. This program is referred to as KidsCare (see Attachment A). The passage of the legislation was the culmination of many meetings convened by Governor Jane Dee Hull and legislative hearings which provided a venue for the public to testify about the proposal. Additionally, staff from AHCCCS, Arizona's Medicaid program, have met continually with interested parties to discuss the implementation of the program.

Arizona submitted a Title XXI State Plan to extend health care coverage statewide for children up to the age of 19. The effective date for the State Plan was October 1, 1997 which enabled the state to prepare for the implementation of the program. Actual services were rendered beginning November 1, 1998. Income thresholds were set at 150% of federal poverty level (FPL) at the beginning of the program. Beginning October 1, 1999 income levels were raised to 200% of the FPL. Arizona does not impose a resource test for this population. AHCCCS performs all KidsCare eligibility determinations for new applicants and redeterminations of eligibility based on a simplified eligibility process. A process has been implemented to determine whether a child is eligible for Medicaid prior to a determination of eligibility for KidsCare.

Arizona provides KidsCare services through established AHCCCS health plans which are referred to as contractors throughout this document.

All children have a choice of available contractors and primary care providers in a geographic service area. Additionally, Native Americans can elect to receive services through the Indian Health Service (IHS), 638 tribal facilities or one of the contractors. The KidsCare service package is the same service package offered to Medicaid recipients. AHCCCS coordinates educational activities with the assistance of safety net providers, other state agencies, tribal entities and organizations, advocacy groups and other appropriate entities.

Effective Date: 02-01-04 (premiums >150% FPL) 2  
Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

Copayments are assessed for all members, except Native Americans. In addition, families with income above 100% of FPL are assessed premiums. The total cost for premiums and copayments will not exceed 5 percent of the family income.

The number of children who are eligible for the program may be capped based on the available state and federal funding.

AHCCCS coordinates with other private and public programs which provide health care services to children. Arizona does not want to encourage employers or parents to discontinue current insurance coverage for children. Therefore, as a protection against “crowd out”, children must be without group health insurance for three months before eligibility will be granted for KidsCare.

The three month bare provision will be waived under the following circumstances:

1. Reached their lifetime insurance limit;
2. Are newborns;
3. Are transitioning Title XIX members;
4. Are applicants who are seriously or chronically ill;
5. Are Title XXI members who lose insurance coverage;
6. Are enrolled with Children's Rehabilitative Services; or
7. Are Native American members receiving services from IHS or a 638 Tribal Facility.

**1.2 X Please provide an assurance that expenditures for child health assistance will not be claimed prior to the time that the State has legislative authority to operate the State plan or plan amendment as approved by CMS. (42 CFR 457.40(d))**

AHCCCS assures that the expenditures for child health assistance are not claimed prior to the time that the state has legislative authority to operate the State plan or plan amendment as approved by CMS.

**1.3 X Please provide an assurance that the state complies with all applicable civil rights requirements, including title VI of the Civil Rights Act of 1964, title II of the Americans with Disabilities Act of 1990, section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, 45 CFR part 80, part 84, and part 91, and 28 CFR part 35. (42CFR 457.130)**

AHCCCS ensures that the state complies with all applicable civil rights requirements, including title VI of the Civil Rights Act of 1964, title II of the Americans with Disabilities Act of 1990, section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, 45 CFR part 80, part 84, and part 91, and 28 CFR part 35.

Effective Date: 02-01-04 (premiums >150% FPL) 3  
Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

**1.4 X Please provide the effective (date costs begin to be incurred) and implementation (date services begin to be provided) dates for this plan or plan amendment (42 CFR 457.65):**

**Original Implementation date:** November 1, 1998

**Amendment Effective date:** February 1, 2004 (premiums >150% FPL)  
July 1, 2004 (premiums 100%-150% FPL)

Effective Date: 02-01-04 (premiums >150% FPL) 4  
Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

# Section 8



## Cost Sharing and Payment

Effective Date: 02-01-04 (premiums >150% FPL) 5  
Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

## Section 8. Cost Sharing and Payment (Section 2103(e))

Check here if the state elects to use funds provided under Title XXI only to provide expanded eligibility under the state's Medicaid plan, and continue on to Section 9.

### 8.1. Is cost-sharing imposed on any of the children covered under the plan? (42CFR 457.505)

- 8.1.1.           X       YES  
8.1.2.                       NO, skip to question 8.8.

### 8.2. Describe the amount of cost-sharing, any sliding scale based on income, the group or groups of enrollees that may be subject to the charge and the service for which the charge is imposed or time period for the charge, as appropriate. (Section 2103(e)(1)(A)) (42CFR 457.505(a), 457.510(b) &(c), 457.515(a)&(c))

#### 8.2.1. Premiums:

On October 1, 1999, AHCCCS began imposing monthly premiums on families whose income exceeded 150 percent of the FPL.

AHCCCS worked collaboratively with KidsCare stakeholders to develop the premium billing proposal based on these goals:

- Insure more children.
- Promote accountability and responsibility.
- Notify KidsCare members of their premium rights and responsibilities.
- Reduce administrative costs and implement a simplified system.
- Have a process that is clear and understandable to the members.

The following is the premium billing and collection process:

- Payments are accepted on a monthly basis.
- The cost sharing methodology does not favor children from families with higher incomes over families with lower incomes.
- AHCCCS ensures that premiums are not assessed on Native American or Alaska Native populations.
- AHCCCS monitors the number of persons who are disenrolled due to nonpayment of premiums and notifies KidsCare members about their premium rights and responsibilities.
- The first monthly premium is not required prior to initial enrollment in the program.
- All premium payments are due by the 15<sup>th</sup> day of each month of enrollment.

Effective Date: 02-01-04 (premiums >150% FPL) 6  
Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

- If the payment is not made by the due date, a past due notice will be sent with a request for payment no later than the last day of the month.

Effective Date: 02-01-04 (premiums >150% FPL) 7  
Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

The premium amounts are:

**PREMIUM AMOUNTS**

Effective 2/1/04

<b>Federal Poverty Levels (FPL)</b>	<b>1<sup>st</sup> Child</b>	<b>More than 1 Child</b>
100% to 150%		
Above 150% - 175%	\$20.00	\$30.00 Total
Above 175% - 200%	\$25.00	\$35.00 Total

Effective 7/1/04

<b>Federal Poverty Levels (FPL)</b>	<b>1<sup>st</sup> Child</b>	<b>More than 1 Child</b>
100% to 150%	\$10.00	\$15.00
Above 150% - 175%	\$20.00	\$30.00 Total
Above 175% - 200%	\$25.00	\$35.00 Total

**8.2.2. Deductibles:** Not Applicable

**8.2.3. Coinsurance or copayments:** No copayments are charged.

**8.2.4. Other:**

**8.3. Describe how the public will be notified, including the public schedule, of this cost-sharing (including the cumulative maximum) and changes to these amounts and any differences based on income. (Section 2103(e)((1)(B)) (42CFR 457.505(b))**

Information about cost sharing is included in the following:

- Education and application materials.
- Member handbooks provided by KidsCare contractors.
- *Arizona Administrative Register* and other rulemaking activities conducted by the AHCCCS Administration.
- Native American newsletters and meetings make it clear that the Native American and Alaska Native populations are exempt from paying any cost sharing.

**8.4. The state assures that it has made the following findings with respect to the cost sharing in its plan: (Section 2103(e))**

**8.4.1. X Cost-sharing does not favor children from higher income families over lower income families. (Section 2103(e)(1)(B)) (42CFR 457.530)**

Effective Date: 02-01-04 (premiums >150% FPL) 8  
Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

**8.4.2. X** No cost-sharing applies to well-baby and well-child care, including age-appropriate immunizations. (Section 2103(e)(2)) (42CFR 457.520)

**8.4.3 X** No additional cost-sharing applies to the costs of emergency medical services delivered outside the network. (Section 2103(e)(1)(A)) (42CFR 457.515(f))

The state assures enrollees will not be held liable for cost-sharing amounts for emergency services that are provided at a facility that does not participate in the enrollee's managed care network.

**8.5.** Describe how the state will ensure that the annual aggregate cost-sharing for a family does not exceed 5 percent of such family's income for the length of the child's eligibility period in the State. Include a description of the procedures that do not primarily rely on a refund given by the state for overpayment by an enrollee: (Section 2103(e)(3)(B)) (42CFR 457.560(b) and 457.505(e))

Premiums will not exceed the five percent cumulative maximum. Families are advised on the notice of approval that the total cost sharing under KidsCare can not exceed five percent of the families' income. Families are advised to contact AHCCCS if the total cost sharing exceeds the five percent limit. Upon notification, AHCCCS makes changes to the system to stop the imposition of monthly premiums.

**8.6** Describe the procedures the state will use to ensure American Indian (as defined by the Indian Health Care Improvement Act of 1976) and Alaska Native children will be excluded from cost-sharing. (Section 2103(b)(3)(D)) (42CFR 457.535)

The Application for AHCCCS Health Insurance requests information about the child's race. If the child is American Indian or Alaska Native, AHCCCS does not assess a premium or copayment.

**8.7** Please provide a description of the consequences for an enrollee or applicant who does not pay a charge. (42CFR 457.570 and 457.505(c))

A. The consequences for non payment of premium are as follows:

1. If the payment is not made by the due date, AHCCCS sends a past due notice with a request for payment no later than the last day of the month.
2. If the payment is not received by the 15<sup>th</sup> day of the second month, AHCCCS mails a ten-day discontinuance letter. Services are terminated if the delinquent payment is not received the end of the second month. If AHCCCS receives the delinquent payment prior to the end of the second month, there is no break in coverage.
3. Persons may be re-enrolled if all outstanding balances are paid and an updated application is submitted.

B. The following is the hardship exemption to the disenrollment process:

1. The following definitions apply to this Section:
  - a. "Major expense" means the expense is more than 10 percent of the household's countable income

Effective Date: 02-01-04 (premiums >150% FPL) 9

Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

- b. "Medically necessary" means as defined in 9 A.A.C. R9-22-101.
- 2. Whenever a monthly statement includes a past due amount and the benefits are at risk of being terminated, AHCCCS sends a separate notice with information about and instructions for requesting a hardship exemption.
- C. The Administration grants a hardship exemption to the disenrollment requirements under A.R.S. § 36-2982 for a household who:
  - 1. Is no longer able to pay the premium due to one of the hardship criteria listed below, and
  - 2. Requests and provides all necessary written verification at the time of request.
- D. The Administration considers the following hardship criteria:
  - 1. Medically necessary expenses or health insurance premiums that:
    - a. Are not covered under Medicaid or other insurance and
    - b. Exceed 10 percent of the household's countable income;
  - 2. Unanticipated major expense, related to the maintenance of shelter or transportation for work;
  - 3. A combination of medically necessary and unanticipated major expenses in this section that exceed 10% of the household's countable income; or
  - 4. Death of a household member.
- E. The Administration must receive the written request and verification of exemption eligible criteria by the 10th day of the month in which the household receives the billing statement containing the current and past due premium notice.
- F. The Administration notifies the head of household concerning the approval or denial of the request for exemption and discontinuance 10 days prior to the end of the month in which the request was received.

**8.7.1 Please provide an assurance that the following disenrollment protections are being applied:**

**X State has established a process that gives enrollees reasonable notice of and an opportunity to pay past due premiums, copayments, coinsurance, deductibles or similar fees prior to disenrollment. (42CFR 457.570(a))**

Medicaid rules regarding opportunities for impartial reviews prior to disenrollment apply to SCHIP. The premium payment is due by the 15<sup>th</sup> day of each month. If the payment is not made by the due date, AHCCCS sends a past due notice with a request for payment no later than the last day of the month. If the payment is not received by the 15<sup>th</sup> day of the second month, AHCCCS mails a ten-day discontinuance letter. Enrollees are ensured the opportunity to continue benefits pending the outcome of the hearing.

**X The disenrollment process affords the enrollee an opportunity to show that the enrollee's family income has declined prior to disenrollment for non payment of cost-sharing charges. (42CFR 457.570(b))**

Effective Date: 02-01-04 (premiums >150% FPL) 10

Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

KidsCare members may report a change at any time. If a change in income is reported, AHCCCS reevaluates KidsCare and Medicaid eligibility and the premium amount.

**In the instance mentioned above, that the state will facilitate enrolling the child in Medicaid or adjust the child's cost-sharing category as appropriate. (42CFR 457.570(b))**

If a change in income results in a lower premium amount, AHCCCS adjusts the premium amount the next prospective month after the change is reported. If the child appears to be Medicaid eligible, AHCCCS refers the application and documentation to the Department of Economic Security for a Medicaid determination.

**X The state provides the enrollee with an opportunity for an impartial review to address disenrollment from the program. (42CFR 457.570(c))**

AHCCCS sends a notice to the household at least 10 days before benefits are discontinued due to non-payment. The notice includes information about the right to request a hearing and how to request a hearing. If AHCCCS receives the hearing request prior to the discontinuance effective date, AHCCCS may continue benefits pending the outcome of the hearing. Prior to the hearing date, AHCCCS discusses all information with the household to determine if the premium was calculated correctly. If the premium amount is correct, AHCCCS informs the household that the premium amount is correct and that the household has the right to request a hearing. If the premium amount is not correct, AHCCCS corrects the premium amount and the hearing is not necessary.

**8.8 The state assures that it has made the following findings with respect to the payment aspects of its plan: (Section 2103(e))**

**8.8.1. X No Federal funds will be used toward state matching requirements. (Section 2105(c)(4)) (42CFR 457.220)**

**8.8.2. X No cost-sharing (including premiums, deductibles, copays, coinsurance and all other types) will be used toward state matching requirements. (Section 2105(c)(5) (42CFR 457.224) (Previously 8.4.5)**

**8.8.3. X No funds under this title will be used for coverage if a private insurer would have been obligated to provide such assistance except for a provision limiting this obligation because the child is eligible under the this title. (Section 2105(c)(6)(A)) (42CFR 457.626(a)(1))**

Effective Date: 02-01-04 (premiums >150% FPL) 11

Approval Date:

Effective Date: 07/01/04 (premiums 100% - 150% FPL)

- 8.8.4. X**      **Income and resource standards and methodologies for determining Medicaid eligibility are not more restrictive than those applied as of June 1, 1997. (Section 2105(d)(1)) (42CFR 457.622(b)(5))**
- 8.8.5. X**      **No funds provided under this title or coverage funded by this title will include coverage of abortion except if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest. (Section 2105)(c)(7)(B)) (42CFR 457.475)**
- 8.8.6. X**      **No funds provided under this title will be used to pay for any abortion or to assist in the purchase, in whole or in part, for coverage that includes abortion (except as described above). (Section 2105)(c)(7)(A)) (42CFR 457.475)**

Effective Date: 02-01-04 (premiums >150% FPL) 12  
Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

# Section 9

---



## Strategic Objectives and Performance Goals & Plan Administration

Effective Date: 02-01-04 (premiums >150% FPL) 13  
Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

## **Section 9. Strategic Objectives and Performance Goals and Plan Administration (Section 2107)**

### **9.1. Describe strategic objectives for increasing the extent of creditable health coverage among targeted low-income children and other low-income children: (Section 2107(a)(2)) (42CFR 457.710(b))**

Arizona has established the following strategic objectives for the KidsCare Program:

- Decrease the percentage of children in Arizona who are uninsured or who do not have a regular source of health care.
- Improve the health status of children enrolled in KidsCare in Arizona through a focus on early preventive and primary care.
- Ensure that KidsCare eligible children in Arizona have access to a regular source of care and ensure utilization of health care by enrolled children.
- Avoid “crowd out” of employer coverage.
- Coordinate with other health care programs providing services to children to ensure a seamless system of coverage.

### **9.2. Specify one or more performance goals for each strategic objective identified: (Section 2107(a)(3)) (42CFR 457.710(c))**

- Decrease the percentage of children in Arizona who are uninsured. (In the first year of the KidsCare Program, decrease the percentage of children with income under 150% of FPL who are uninsured and, in subsequent years, decrease the number of children with income under 200% of FPL who are uninsured.)
- Screen 100 percent of applications to determine if the child was covered by employer sponsored insurance within the last three months. If however, a child has exceeded the lifetime limit to his or her employer sponsored insurance policy; the child will not be required to go bare for three months.
- Improve the number of KidsCare eligible children who receive preventive and primary care by meeting goals according to Health People 2010:
  1. 90 percent of children under two will receive age appropriate immunizations;
  2. 90 percent of children under 15 months will receive the recommended number of well child visits;
  3. 90 percent of three, four, five, and six year olds will have at least one well-child visit during the year;
  4. 90 percent of children will have at least one dental visit during the year; and
- Ensure that KidsCare enrolled children receive access to a regular source of care:

Effective Date: 02-01-04 (premiums >150% FPL) 14

Effective Date: 07/01/04 (premiums 100% - 150% FPL)

Approval Date:

1. 100 percent of enrolled children will be assigned a PCP; and
2. 90 percent of KidsCare children will see a PCP at least once during the first 12 months of enrollment.

**9.3. Describe how performance under the plan will be measured through objective, independently verifiable means and compared against performance goals in order to determine the state's performance, taking into account suggested performance indicators as specified below or other indicators the state develops: (Section 2107(a)(4)(A),(B)) (42CFR 457.710(d))**

**Check the applicable suggested performance measurements listed below that the state plans to use: (Section 2107(a)(4))**

- 9.3.1. X      The increase in the percentage of Medicaid-eligible children enrolled in Medicaid.**
- 9.3.2. X      The reduction in the percentage of uninsured children.**
- 9.3.3. X      The increase in the percentage of children with a usual source of care.**
- 9.3.4. X      The extent to which outcome measures show progress on one or more of the health problems identified by the state.**
- 9.3.5.        HEDIS Measurement Set relevant to children and adolescents younger than 19.**
- 9.3.6.        Other child appropriate measurement set. List or describe the set used.**
- 9.3.7. X      If not utilizing the entire HEDIS Measurement Set, specify which measures will be collected, such as:**
- 9.3.7.1. X      Immunizations**
- 9.3.7.2. X      Well child care**
- 9.3.7.3.        Adolescent well visits**
- 9.3.7.4. X      Satisfaction with care**
- 9.3.7.5.        Mental health**
- 9.3.7.6. X      Dental care**
- 9.3.7.7.        Other, please list:**
- 9.3.8.        Performance measures for special targeted populations.**

- 9.4. X      The state assures it will collect all data, maintain records and furnish reports to the Secretary at the times and in the standardized format that the Secretary requires. (Section 2107(b)(1)) (42CFR 457.720)**
- 9.5. X      The state assures it will comply with the annual assessment and evaluation required under Section 10. Briefly describe the state's plan for these annual assessments and reports. (Section 2107(b)(2)) (42CFR 457.750)**  
 AHCCCS will perform the annual assessments and evaluations required in Section 10. The annual report will include an assessment and update on the operation of the KidsCare Program, including the increase in the percentage of Medicaid eligible children enrolled in Medicaid and the reduction in the percentage of uninsured children will be calculated from CPS data.
- As addressed in Section 7, AHCCCS will measure the KidsCare Program's progress toward meeting its strategic objectives and performance goals through an evaluation of the contractors using encounter data and medical chart audits, with particular emphasis on preventive and primary care measures.
- In addition, annual Operational and Financial Reviews of the KidsCare contractors and reviews of the Quality Management Plans addressing quality standards and how contractors propose to meet those standards will assist AHCCCS in ensuring the quality of health coverage.
- 9.6. X      The state assures it will provide the Secretary with access to any records or information relating to the plan for purposes of review of audit. (Section 2107(b)(3)) (42CFR 457.720)**
- 9.7. X      The state assures that, in developing performance measures, it will modify those measures to meet national requirements when such requirements are developed. (42CFR 457.710(e))**
- 9.8.          The state assures, to the extent they apply, that the following provisions of the Social Security Act will apply under Title XXI, to the same extent they apply to a state under Title XIX: (Section 2107(e)) (42CFR 457.135)**
- 9.8.1. X      Section 1902(a)(4)(C) (relating to conflict of interest standards)**
  - 9.8.2. X      Paragraphs (2), (16) and (17) of Section 1903(i) (relating to limitations on payment)**
  - 9.8.3. X      Section 1903(w) (relating to limitations on provider donations and taxes)**
  - 9.8.4. X      Section 1132 (relating to periods within which claims must be filed)**

**9.9. Describe the process used by the state to accomplish involvement of the public in the design and implementation of the plan and the method for insuring ongoing public involvement. (Section 2107(c)) (42CFR 457.120(a) and (b))**

Arizona has developed a collaborative process with many interested parties in the design, implementation and evaluation of the KidsCare State Plan. The state has a process for conducting a statewide collaborative effort to provide the community with awareness, education and an opportunity to shape the KidsCare Program (see Attachment N). The Children's Action Alliance also held public forums to discuss the parameters of the KidsCare Program.

In December 1997, the Governor convened a KidsCare Task Force consisting of state legislators, state agencies, representatives from the hospital and medical industry, advocacy organizations and tribal organization to develop recommendations about how targeted, low-income children could best be served by the funds available under Title XXI. The members of this task force are identified in Attachment O. The Governor's Office also convened a special meeting for the 21 Arizona tribes to discuss tribal issues.

The Governor worked with key legislators and other interested parties to introduce legislation on KidsCare. This legislation and the public hearings provided significant opportunities for state legislators and the public to comment and participate in the development of the KidsCare Program. In these legislative hearings, there has been overwhelming support from the community as evidenced by the testimony in support of the program. In addition to the legislative hearings, the community has endorsed this KidsCare Program as shown in Attachment P.

AHCCCS convened two public hearings to discuss the proposed State Plan. Over 275 persons were sent a copy of the State Plan and invited to the hearings. Over 70 persons attended the hearings which included an overview of the State Plan and an open forum for comments, questions and answers. The majority of the discussion involved questions about the operation of the program or the potential for state legislative changes which were answered at the hearing. The suggestions for changes to the State Plan and comments from AHCCCS are summarized in Attachment Q.

As part of Senate Bill 1008, the legislature requires annual reports beginning January 1, 2000, containing the following information:

1. The number of children served by the program.
2. The state and federal expenditures for the program for the previous fiscal year.
3. A comparison of the expenditures for the previous fiscal year with the expected federal funding for the next fiscal year.
4. Whether the federal funding for the next fiscal years will be sufficient to provide services at the current percentage of the FPL or whether an enrollment cap may be needed.
5. Any recommendations for changes to the program will be submitted to the Governor, the President of the Senate, Speaker of the House of Representatives, Secretary of State, the Director of the Department of Library,

Archives and Public Records so they can monitor the implementation and evaluation of the program.

As part of the public process, AHCCCS held two public hearings on the proposed State Plan to provide the public with an opportunity to comment and will also hold public hearings on all proposed rules for this program.

AHCCCS has included KidsCare as a regular agenda item for discussion with the State Medicaid Advisory Committee and is working closely with health plans who will be responsible for the delivery of services through the following forums:

- AHCCCS Health Plan meetings
- Medical Directors' meetings
- Quality Management and Maternal Child Health meetings
- Other types of meetings (e.g., one-on-one meetings, rule meetings and State Plan meetings).

Please see sections 9.9.1 and 9.9.2 for a description of ongoing public involvement opportunities.

**9.9.1 Describe the process used by the state to ensure interaction with Indian Tribes and organizations in the state on the development and implementation of the procedures required in 42 CFR 457.125. (Section 2107(c)) (42CFR 457.120(c))**

AHCCCS has an ongoing communication with the tribal communities. (See section 2.2.1. and 4.4.5. and 8.3.) An article was written in the KidsCare News to communicate to the communities that no cost sharing is required. The Application for AHCCCS Health Insurance requests information about the child's race. If the child is American Indian or Alaska Native, this information is input into the KEDS automated system which reads the race code and assigns a premium amount of zero.

**9.9.2 For an amendment relating to eligibility or benefits (including cost sharing and enrollment procedures), please describe how and when prior public notice was provided as required in 457.65(b) through (d).**

The public has the ability to be involved through the legislative and/or rulemaking process. During the Legislative session, there are many opportunities that the public can make comment to the House of Representatives or Senate. (See section 9.9)

AHCCCS ensures the public has the opportunity to be involved in the rulemaking process from the beginning to end. Initially, AHCCCS opens a docket and files a notice with the Secretary of State in the *Arizona Administrative Register*. Next, AHCCCS files proposed rules and notice with the Secretary of State in the *Arizona Administrative Register*. After that, AHCCCS receives written and oral comments from the public. The next step, involves a public hearing. The agency then reviews public comments and makes necessary changes to the proposed rules. In conclusion, the agency

submits rules to the Governor's Regulatory Review Council for approval. The agency appears before the Council to answer questions regarding the rules. At this time, the public has one more opportunity to express their opinion (approval or disapproval) of the rule. After the Council approves the rules, the rule package is then filed with the Secretary of State.

**Public notice for cost-sharing**

**AHCCCS provided many avenues for public involvement in the Cost Sharing implementation.**

**The Office of Community Relations provided Community and Provider Forums in which participants and AHCCCS staff discussed the cost-sharing changes, as well as additional information on other AHCCCS program changes and future updates. These forums were held in: Flagstaff, Tucson, Phoenix (2), and Yuma from August 26, 2003 to September 23, 2003. 404 providers, 356 community members, advocates, interested individuals, etc attended the forums. The Arizona Republic published a two-paragraph description of the Forums under the Health Briefs.**

**The Public Information Office had a brief description of the Forums in the Arizona Republic, which is Arizona's statewide newspaper.**

**The Office of Legal Assistance conducted Public Hearings in Phoenix, Tucson, and Flagstaff to reach individuals in the Northern, Central or Southern areas of Arizona. Information about date, time, and place of the Public Hearings as well as the proposed rule language were posted September 4, 2003 on the AHCCCS website ([www.ahcccs.state.az.us](http://www.ahcccs.state.az.us)). AHCCCS accepted comments from the public on the rules from September 4, 2003 until close of business on September 24, 2003.**

**Seventeen individuals attended the public hearings held in Phoenix, Flagstaff, and Tucson. Prior to the hearings the agency received 7 written comments and, during the hearings, received public testimony from another 6 individuals. The majority of comments were from pharmacists or pharmaceutical companies concerned about the actual implementation of copays at the pharmacy counter. Comments were reviewed and merits discussed with executive management. On September 29, 2003 the final rules were filed with the Secretary of State's office and subsequently published in the Arizona Administrative Register on October 24, 2003. The following is a summary of the principle comments received at the public hearing and the agency's response.**

## PRINCIPLE COMMENTS

Does pharmacy co-pays suggest that consumers will have a choice between a branded or generic product? Almost all of the health plans that serve TXIX population have a mandatory generic policy in place, therefore branded products that have generic equivalents will generally reject at the pharmacy level with a message to use the generic product. Can you please clarify the proposed changes for prescription copayments.

R 9-22-711 E identifies the individuals who are subject to specific brand and generic co-payments and that the provider may deny a service if the member does not pay the required co-payment. What are the implications to the pharmacy if they deny service?

Federal Regulations prohibit pharmacies from collecting co-payments from Medicaid population when the individual refuses or is unable to pay the co-payment. Does A.R.S.36-2903.01 meet the federal standard? Has it been waived? If an individual refuses or is unable to pay the co-payment what actions may the pharmacy take regarding prescription services? Can they deny services

## AHCCCS RESPONSE

The health plan practice regarding pharmacy management has not changed. A member is not allowed to pay the higher amount to have brand name medication. However, most health plans have brand name medication available as off formulary which would require prior authorization.

The implications for the pharmacy are the same as if any other person with another type of insurance would not have the money to pay the copay.

Federal law prohibits services to be denied for the categorical "entitled" groups. However, services can be denied if copayments are not made by the non-categorical groups.



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

*Janet Napolitano, Governor*  
*Anthony D. Rodgers, Director*

801 East Jefferson, Phoenix AZ 85034  
PO Box 25520, Phoenix AZ 85002  
*phone* 602 417 4000  
[www.ahcccs.state.az.us](http://www.ahcccs.state.az.us)

A Public Hearing was held in Phoenix on January 12, 2004 regarding the February 1, 2004 premium increase. No testimony was received either verbally or in writing.

One of the areas targeted by the Arizona legislature in various legislative hearings was an increase in the monthly premiums that would be paid by families who had children or adults enrolled in a SCHIP program. The February 2004 increase is the result of the legislative mandate to enhance cost sharing. Interested parties had an opportunity to testify in the several public hearings and during the public hearings on the changes to AHCCCS' rules. In addition, the attached notice was sent to all who had children enrolled with KidsCare who would be affected by the increase in monthly premiums.

Public notice for the July 1, 2004 premium implementation for families with income between 100% and 150% of the FPL is scheduled for May 7, 2004. The Public Hearing will be held on June 9, 2004 to hear testimony on this premium change.

**9.10. Provide a one year projected budget. A suggested financial form for the budget is attached. The budget must describe: (Section 2107(d)) (42CFR 457.140)**

**Planned use of funds, including --**

**Projected amount to be spent on health services;**

**Projected amount to be spent on administrative costs, such as outreach, child health initiatives, and evaluation; and**

**Assumptions on which the budget is based, including cost per child and expected enrollment.**

**Projected sources of non-Federal plan expenditures, including any requirements for cost-sharing by enrollees.**

See Attachment S for the KidsCare Budget. The state share of the program is funded with monies from the Tobacco Tax Fund.