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Provider Notification

Date of Notification	4/1/11	Revision Date	N/A
Plans Affected	All Plans Contracted at the Mercy Care Fee Schedule		
Subject	Mercy Care April 1, 2011 Provider Rate Reductions		

Effective April 1, 2011, Mercy Care Plan will be implementing a provider rate reduction in order to comply with AHCCCS' overall provider rate reduction of 5%.

For all Office Visits/Evaluation and Management procedure codes, Mercy Care Plan's fee schedule will now equate to the AHCCCS fee schedule. Reduction determinations for other procedure codes were based on careful review of historical changes previously made to Mercy Care's Fee Schedule and a realignment of fees where necessary. A copy of the Mercy Care Fee Schedule will be available on the Mercy Care web site at www.mercycareplan.com.

Additional information regarding the **AHCCCS April 1, 2011 Provider Rate Reduction** is available on the AHCCCS web site at www.azahcccs.gov, under **News and Updates**. Under the **Provider Rate Reduction Fact Sheet**, AHCCCS outlines the reasons for the provider rate reduction as follows:

In Fiscal Year 2012 (beginning July 1, 2011), the State of Arizona will need over \$1 billion in additional funding to support the Medicaid program (also known as the Arizona Health Care Cost Containment System or AHCCCS). Additional federal funding previously authorized by Congress to support state Medicaid programs will expire on July 1, 2011 and the General Fund will need to make up for the loss of these dollars. To date, budget policy decisions have reduced programmatic spending in excess of \$870 million. As depicted in the table, savings have been generated through several of the following changes:

- **Provider Rates** – AHCCCS has previously reduced the majority of all non-institutional provider rates by 5-10%. Statutory changes have resulted in institutional rates freezes. These changes have generated the bulk of the budget savings.
- **Eligibility Changes** - While federal maintenance of effort requirements established as part of stimulus funding and health care reform have limited the States ability to make changes, some savings have been generated through the elimination of the KidsCare parents program and enrollment freeze in KidsCare.
- **Benefit Changes**– Through legislation, several optional benefits were eliminated on October 1, 2010.
- **Cost Sharing** – AHCCCS has increased cost sharing requirements to the maximum amount under federal law for the acute care population and some limited savings have been achieved through the imposition of mandatory copays for select populations.

- **Administrative Reductions** – Even though the AHCCCS population has increased by 30% since the start of the recession, staffing has decreased by over 30%.

HB2010 (the Health Budget Reconciliation Bill from the 2010 Legislative Session) gave AHCCCS the authority to reduce rates for all providers up to 5% for the rate year beginning October 1, 2010. On October 1st, AHCCCS was able to freeze provider reimbursement rates and still achieve the overall FY 2011 budget goal of maintaining per member per month costs at the same amount. This was due to decreased utilization and continued shifting from institutional settings to home and community based.

However, given the pending funding crisis for AHCCCS in FY 2012, all avenues must be pursued to generate budget savings. Given the current limitations, reducing provider rates is the only option available at this point to generate any significant savings. It is important to note that this significant action will generate less than \$300 million in total fund savings or less than \$100 million for the State General Fund.

The AHCCCS mandatory managed care model is one of the most successful Medicaid programs in the country. Providers have played a critical part of this success. Without sufficient provider participation, AHCCCS would not have the quality outcomes that members enjoy today. AHCCCS recognizes that these types of reductions are difficult but given overall state finances these actions must be taken.

Further developments will be posted at www.azahcccs.gov, either under the “News & Updates” or “New Topics” sections of the main page.

Mercy Care appreciates your continued partnership in providing quality health care to the community and is committed to working with our network. If you have any questions regarding the above, please feel free to contact your Provider Services Representative at (602) 263-3000.