

Report on Study Tour 2006 – The Arizona Health Care Cost Containment System (AHCCCS)

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Introduction

The 2006 Study Tour to Arizona, organized by the University of Manchester Business School and the NHS Centre for Innovation and Improvement, was intended to give NHS Senior Managers an understanding of how the American health care system works, and to learn from the Arizona system new ways of commissioning health care. I was fortunate to receive sponsorship from the Allan Brooking Travel Fellowship¹ to enable me to participate in the Study Tour.

A group of 20 NHS managers and GPs travelled to Phoenix in May 2006 for an intensive five day introduction to the Arizona health care system. Participants came from across the English NHS. PCTs from Cumbria and Durham in the north of England as well as Cornwall and Sussex in the south were represented. Each participant viewed the US system from a slightly different perspective. The following report is a summary of my personal reflections and learning.



Background – why look at the Arizona system?

‘America does not believe Health Care is a right - it is a commodity traded on the Stock exchange’ – (Anthony Rodgers, AHCCCS Director).

The Arizona Health Care Cost Containment System (AHCCCS) is the state agency responsible for administering Arizona’s version of Medicaid, which funds

health care for people who qualify for free health care due to being on low income. It has been in existence since 1982, and is considered to be the most successful of the Medicaid models in the US. (Center for Health Care Strategies 2002)

<p>What is Medicaid ? Federal and State funded health programme which covers low income individuals and families as well as the frail elderly and individuals with disabilities</p> <p>States have a high degree of flexibility to design their Medicaid programmes by:</p> <ul style="list-style-type: none"> Establishing eligibility standards Determining the type, amount, duration and scope of services Setting rate of payment for doctors, hospitals and other medical, dental, behavioural health service providers
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In Arizona, 20% of the population are eligible for AHCCCS funded health care , which is approximately 1 million people.

Who does AHCCCS serve?		
Programme	Enrolled Members	Member Profile
Acute	938,950	Primarily children and women with children
Long Term Care	41,691	Individuals with developmental disabilities, physical disabilities, or over 65 years of age
Kids Care	57,082	Children up to 16 yrs
Healthcare Group	20,118	Insurance scheme for Employees of small businesses
Total	1,057,841	

Income eligibility levels vary for each programme, and are linked to the Federal Poverty Level or FPL (in 2005 the FPL was \$1613 per month for a family of 4)– for example , families with children can be earning up to twice the Federal Poverty Level to be eligible, but single people and couples without children are eligible with incomes up to 100% of FPL. However, 17% of the Arizona population does not have any health cover, as they are not eligible for AHCCCS, and do not have private health insurance. Employed people often have health

insurance as part of their contract of employment, but small businesses may not provide this.

Managed Care

Managed care has succeeded in providing health care in a co-ordinated manner, with quality , access and costs being managed through health plans. Many other states are now looking to emulate the Arizona system and move from the Fee for Service model to Managed Care. The goal for managed care is to provide each patient :

**“The right care
At the right time
Every time”**

Comparison between Fee for service and Managed Care:	
Fee for service	Managed Care
Doctors paid direct on item of service basis	Health Plans receive capitation
Customers go to any Medicaid provider	Health Plans create network of providers
Customer coordinates own care	Primary Care Physician (PCP) coordinates care

<p><u>AHCCCS Managed Care Competition Model</u></p> <p>Health Plans submit a proposal to AHCCCS to participate in the programme. Health Plans compete for members . Members have a choice of health plans and primary care providers. Health Plans and networks compete on price and quality of network for health plan membership. AHCCCS set business rules to level the playing field as necessary.</p>
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The benefits of the AHCCCS managed care model compared to Medicaid programmes in other states are:

- Lower pharmacy costs per member
- Lower percentage of individuals in nursing homes
- Lower number of inpatient bed days per 1000 population
- Lower cost overall for long term care
- High member satisfaction
- Lower number of emergency room visits per 1000 population

Greater health care access and quality of care
 Greater cost compliance and accountability

Observations – An NHS perspective on the American Health Care system

The American health care system is very complicated – in the introduction to the tour it was described as a jungle. Patients need help and support to navigate their way through and into the system. It would be easy to get lost, and many people do not have health cover, 17% of the population in Arizona, 16% or 40 million people in the whole of America.

On arrival at Phoenix Airport, the Immigration Officer asked why I was visiting America. When I explained that I was there to learn about the US Health care system, his response was ‘What to do you want to look at a broken system for?’

Comparison between commissioning models in Arizona and in the NHS

In Arizona, Health Plans compete for contracts from AHCCCS. In order to succeed, they need to be able to commission health care for the set capitation level. The Health Plans then negotiate with hospitals and primary care providers. In the NHS , PCTs work with Localities and GP Practices to commission from providers. There have recently been moves by the British government towards introducing private sector expertise into the commissioning of health care within the NHS, so it is possible that the NHS system will more closely resemble the AHCCCS model in future.

Comparison between AHCCCS and NHS commissioning structures:

Arizona State and Federal Funding	NHS Government Funding
AHCCCS Population 1m Budget \$6bn 	New PCT Population .75m (W Sussex) Budget £1bn
Health Plans 	Locality Commissioning Boards/Practice Based commissioning
Providers	Providers

Learning points

The aspects of the Arizona Health Care system which have the most direct relevance for Commissioning in the NHS , and for the new West Sussex PCT , are as follows:

Case management.

For patients with long term conditions, the Arizona Health Plans employ case managers who have a case loads with maximum numbers set by AHCCCS of 48 members living at home, or 60 in assisted living, or 120 in nursing homes. Case managers support people with long-term conditions, contacting them regularly either by telephone or face to face. They check that they are eating and drinking, keeping warm in winter and cool in summer. They remind patients to take their medication, and to attend GP appointments. Case managers may be qualified nurses, but most are not. This model is in its infancy in the NHS, where case management at present relies on senior nursing in Community Matron roles, and is a provider responsibility rather than being seen as part of the role of the commissioner.

Disease management

An important element of the managed care model is disease management. For specific conditions, clinical guidelines are developed, based on National Practice Standards. Individuals who would benefit from one of the disease management programmes are identified by Health Plans from initial assessment questionnaires when signing up to membership, or through analysis of provider claims for payment.

The goals of disease management are to:

- Increase self management skills
- Improve efficiency of patient care delivery
- Reduce overall healthcare costs while providing optimal care to large populations.

Healthways: Managed care

- Runs a call centre based operation, managing care for more than 2m people on a daily basis.

-Is the largest commercial Long Term Conditions Management company in the US, with coverage of 55m population.

- Contracts with:
 - Health Insurance companies
 - Employers
 - Government

The benefits of the Healthways service are shown by comparison of matched cohorts of patients, with or without the programme and are reported to be:

- 14% saving in medical costs
- 18% fewer visits to ER
- 23% fewer hospital admissions

Performance management and data analysis

The NHS has only recently started to realize the importance of investing in information systems. In the US, because of the need for information for billing of insurance companies, health plans or individuals, the investment in information is much greater. This enables the health plans to analyse performance of providers both in primary and secondary care.

University Physicians Health Plan

Part of University Physicians Healthcare (UPH) which also manages the University Physicians Hospital at Kino and Arizona University Medical Centre.

Contracts with AHCCCS

Provides for high quality healthcare services to the community

Provides patients for teaching for the University of Arizona College of Medicine

Uses Information Technology to improve plan performance:

Integrates Information Technology into all aspects of plan operations

- Utilization/referral management (see below)

- Disease and Case management

- Physician profiling

- Provider communications

- Performance improvement

- Population profiling

- Regulatory compliance

Actuarially sound capitation levels

Health plans, which are successful in bidding for contracts to manage health care on behalf of AHCCCS for their members, must do so within capitation levels, which are set by actuaries on the basis of the profile of the population. The plans are prospectively paid a fixed monthly capitation figure, adjusted for age and sex of each member, an average of \$250 per member per month. The health plans re-insure against catastrophic illness, so that individuals are not refused appropriate, medically necessary health care once they are under the AHCCCS umbrella. The only items of health care covered by the NHS, which the health plans do not cover is any form of infertility treatment.

Providing alternatives to hospital care

Urgent Care

One in three of the population of the US attends the Emergency Room (ER) once a year, 50% of whom do not need the facilities of the ER. Urgent Care centres

have been set up as an alternative. Patients can book ahead , or walk in. On arrival they are triaged, and if they do need to go to ER, an ambulance is called to take them straight to the nearest ER.

Literature is available for patients to let them know when they should go to ER, and when to go to the urgent care centre. As there is no restriction on advertising of health services, this information is widely available. In some areas, urgent care centres compete with each other , as there is nothing to stop them setting up across the street from another such centre if they think that is where the business is. Urgent Care centres tend to be in areas of high population density, and not far from ER , so there are areas with no provision, and areas where services are duplicated. It is all down to the market, as these facilities are not strategically planned.

Case study – Next Care



‘Where the doctor waits for you!’

Mission – To treat every patient with sincerity, respect, and compassion, and provide prompt, affordable, quality health care every day of the year.

14 locations in Arizona.

40% growth in attendances in 2005.

61% of attendances funded by Commercial insurance

21% funded by AHCCCS

Top 10 Diagnoses

- Ear Infection
- Upper Respiratory Infection
- UTI
- Sinusitis
- Pharyngitis
- Bronchitis
- Viral Enteritis

Hand/finger laceration / wound
Ankle /Foot sprain
Conjunctivitis

Staff

1 doctor

1 nurse practitioner

Capacity 90 patients per day.

On site pharmacy and radiology (digital)

Consumer focused - x-ray or prescription provided if requested by patient.

Average time 92 minutes 'door to door'

Cost \$150 per visit

'Gift of Health' cards –can be used to purchase medical care at any Next care Urgent Care location - 'the gift that shows you care'.

Community Health Centres

In Arizona, five million people per annum visit ER, of whom research shows 62% only need primary care treatment, not urgent or emergency care. One way in which Arizona is dealing with this is by expanding the availability of federally funded Community Health Centers. Most of the people treated in Community Health Centers are women and young children .

These are local non-profit, community owned health-care providers serving low income and medically underserved communities. Their costs of care are among the lowest and they reduce the need for more expensive hospital inpatient and specialty care. In 2004 federally funded health centers were the family doctor service for 265,000 people in Arizona. 77% of these were individuals with incomes at or below the federal poverty level. 39% were members of Medicaid programmes, and 34% were uninsured. 63% of members are Hispanic. Community Health Centres are governed by community boards to ensure responsiveness to local needs.

The annual cost of patients cared for by Community Health Centers is \$250 less than the US average.

Doctors leaving medical school who are willing to work in Community Health Centers receive funding from SERCH (Student Experience and Research in Community Health) to supplement their income, as they will have limited access to lucrative paying patients.

Case study – United Community Health Center, Green Valley,

South of Tuscon , surrounded by the Arizona desert and close to the Mexican border , is Green Valley Community Health Centre .



Green Valley Community Health Centre provides primary care and community based specialist care to a remote community in southern Arizona.

An Obstetric clinic is provided at Green Valley, but most women give birth in Tuscon where there is a midwifery birthing unit next door to the acute hospital .

4000 patients are registered with the centre,
5% of these are mono-lingual Spanish .



The view from Green Valley Community Health centre

'Promotoras' - Community Health specialists provide health advice and health education including:

- Support to enable eligible patients to apply for membership of AHCCCS .
- School wellness groups – 'Girl Talk' groups
- Food education
- Exercise

There is a sliding scale of charges based on ability to pay.

Disadvantages of the Arizona Health Care system

One disadvantage of the commercial health care system is the duplication of provision in areas where providers believe there is money to be made. There is also a lack of provision in less profitable areas such as remote communities.

As well as the example of Urgent Care Centres competing for business, St Joseph's Medical Centre in Phoenix plans to be a centre of excellence for Heart and Lung Transplants. St Joseph's plan to do their first Heart and Lung transplant later in 2006, and are actively recruiting medical staff from neighbouring states where the cost of living is higher. There has been no strategic decision by commissioners to establish this service in Arizona. This is a commercial decision on the part of the provider. This could result in reduced costs for this type of surgery, but could also result in reduced quality as there is no requirement for surgeons to carry out a minimum number of operations per annum.

Examples of Management strategies used by health plans to manage demand

Utilization management :

The goal of Utilization Management is the effective management of available health care resources so that the financial allocation will provide the maximum amount of service.

United Physicians Healthcare employ a Utilization Management team , which includes a Referral Coordinator, Admissions coordinator, Pharmacy coordinator, and a Denials coordinator.

The purpose of the team is to oversee on an individual patient basis the access to and use of resources. This includes **Prior Authorisation** of referrals for out patients and for elective admissions.

Notification - Non-elective admissions have to be notified by the hospital within 24 hours of admission, and are followed up by the Utilization Management Team to ensure costs of 'avoidable days' are not incurred.

Denials on medical grounds can only be decided by the Medical director, and decisions are made within 3 working days.

Discharge planning is proactively managed, with ongoing review following authorization of admission.

Utilization Management identifies high risk members who utilize extensive resources, and refers them to **Case Management**.

Learning Points continued - How can the lessons from Arizona be applied to the NHS ?

The situation in West Sussex

On October 1st 2006, PCTs in England were re-configured to create larger Commissioning organizations. Mid Sussex PCT has merged with other PCTs in West Sussex to form one PCT in place of 5 smaller organizations. Staff are currently being appointed to new positions in the new PCT, and a reduction of up to 30% in management costs is anticipated. The challenge for the new PCT is to create an NHS Fit for the Future, and the context is that the NHS in West Sussex faces serious financial deficits and needs to reduce costs significantly.

Commissioners are looking to manage health care in different ways, to ensure that resources are used to benefit patients in the most cost effective way. This will entail developing alternatives to Hospital based care. In Mid Sussex locality, services are being transferred from secondary to primary and community settings. For example, care for patients with diabetes will be managed by Specialist Nursing staff employed by the PCT. This involves negotiation with current secondary care providers , as well as the development of alternative models of care. Orthopaedic patients are triaged, and seen by the most appropriate health professional, with only a small percentage needing to be referred to a hospital consultant for surgery. Similar developments are planned in many other specialities.

Changes to secondary care provision and to the location of A&E departments in West Sussex will also lead to the development of Urgent Care Centres, similar to the Next Care Urgent Care Centres in Arizona. This will mean that patients will have access to care closer to home, rather than having to travel to A&E.

Elective Care will also be managed differently, to enable all patients to be treated within 18 weeks from referral. Management of patient pathways , provision of

diagnostics in primary care, and tracking of patients from referral to treatment will require improved efficiency. Utilisation management, similar to systems used in Arizona, will need to be developed to ensure that resources are targeted in the most efficient way.

My learning from Arizona is very relevant in developing and implementing new models of care in West Sussex, as the study tour looked at examples of Case Management, Urgent Care, Utilisation Management, and Community alternatives to secondary care.

Conclusions and recommendations

The NHS restructuring will create organisations with much in common with the structure of the AHCCCS system. Larger PCTs , funded by taxation, will delegate commissioning to Localities / Practice Based Commissioning, who will commission services for their 'members'.

The introduction of Payment by Results means that Utilization Management, Case Management, and Performance Management will need to be strengthened by the new commissioning organisations . In this there is much that can be learnt from the AHCCCS system and Health Plans. However, this will not be possible without investment in staff to carry out detailed micro-management and data analysis at a patient level. One Health Plan we visited, Value Options, employs 60 analysts in their Management Information Systems department. Value Options is a specialized Health Plan managing care for 62000 people with Behavioural Health (Mental Health) conditions in Maricopa County.

The NHS also needs to maintain the strategic overview of service development. While competition may drive down costs, it can also lead to duplication of profitable services, and lack of services in less economically favourable areas. In this, the Arizona system could learn from the NHS, and AHCCCS directors have been invited to visit the UK and learn about the NHS .

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