

Janice K. Brewer, Governor
Thomas J. Betlach, Director

801 East Jefferson, Phoenix, AZ 85034
PO Box 25520, Phoenix, AZ 85002
Phone: 602-417-4000
www.azahcccs.gov



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

April 2, 2012

Debra K. Davenport, CPA
Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

RE: Coordination of Benefits Performance Audit, Draft Report dated March 26, 2012

Dear Ms. Davenport:

Thank you for the opportunity to review and comment on the Arizona Health Care Containment System (AHCCCS), Coordination of Benefits Performance Audit. We appreciate the professionalism and efforts of the audit team and believe that the implementation of the findings will further enhance the efficiency and effectiveness of the AHCCCS Coordination of Benefits programs that during fiscal year 2011 cost avoided claims in excess of \$1.2 billion with a \$1.8 million administrative cost to the AHCCCS Administration.

Below are our responses to each recommendation in the report in the order they are listed.

Recommendations: Page 18

Recommendation # 1.1:

AHCCCS should develop and implement written procedures for monitoring HMS' efforts to identify members with other insurance. The procedures should include a description of AHCCCS' monitoring process and methods for documenting the results of its oversight and any corrective actions taken.

Response: The Finding of the Auditor General is agreed to, and the audit recommendation will be implemented. AHCCCS does monitor HMS' efforts to identify members with other health insurance; however, it is not formalized in a written policy. AHCCCS will enhance the monitoring process and formalize it in writing to better document HMS monitoring.

Recommendation # 1.2:

AHCCCS should reactivate plans to develop and implement a process to analyze the PARIS Veterans Affairs data and establish procedures to analyze the federal match file. In developing its procedures, AHCCCS could make use of materials available on the PARIS Web site, including manuals and best practices from other states.

Ms. Debra K. Davenport, CPA

April 2, 2012

Page 2

Response: The Finding of the Auditor General is agreed to, and the audit recommendation will be implemented. In addition to the data problems identified in the PARIS Veterans Affairs files, and the delays in the file format changes by PARIS, the data base AHCCCS currently uses to support working the interstate match is not adequate for analyzing the VA or other federal data. A System Service Request (SSR) has been submitted to develop a web based system that is more robust and flexible, to allow us to perform an analysis of the data and to develop appropriate procedures for ongoing use of the data.

Recommendation # 1.3:

AHCCCS should develop and implement a method to calculate and track costs avoided from using the PARIS data matches to report on the benefits achieved.

Response: The Finding of the Auditor General is agreed to, and the audit recommendation will be implemented. The requested web based system to support all PARIS functions will be designed to include the ability to track costs avoided.

Recommendations: Pages 22 and 23

Recommendation # 2.1:

AHCCCS should review a sample of cases in which the liable third party pays in full to ensure HMS has included all of the appropriate healthcare services costs and properly valued these cases.

Response: The Finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation # 2.2:

AHCCCS should document the reasons it will sometimes accept less than the amount HMS recommended and forward this information to HMS to include in the case file.

Response: The Finding of the Auditor General is agreed to, and the audit recommendation will be implemented. The HMS recommended settlement amounts are based on formulaic approaches to the apportionment of settlement proceeds that are required by federal and state statute, rules and case law. In most cases, the HMS valuation is accepted by AHCCCS, as the recommendation results in a fair and equitable distribution of the available recovery. However, from time-to-time AHCCCS will accept less than HMS' recommendation when the difference in a member's settlement offer is small enough that it is not cost effective to pursue the difference through the administrative and judicial appeals process; or if AHCCCS determines the formulaic apportionment of damages does not meet all of the conditions required by A.R.S. § 36-2915(H) when settling a claim.

Ms. Debra K. Davenport, CPA

April 2, 2012

Page 3

AHCCCS agrees that it is important to document the reason for accepting less than the HMS recommended amount and is working with HMS to update the settlement case file to better document the decision made.

Recommendation # 2.3:

AHCCCS should establish an agreement with the MVD to obtain motor vehicle accident data so that AHCCCS can use the data to identify potential liable third parties.

Response: The Finding of the Auditor General is agreed to, and the audit recommendation will be implemented. While AHCCCS believes that it has alternative procedures in place to identify members who have sustained injuries as the result of a motor vehicle accident, it recently implemented a data sharing process with MVD to obtain driver license pictures of members for provider point-of-service eligibility verification purposes. Shortly after completion of that project, it began discussions with MVD to enter into a data sharing agreement to obtain motor vehicle accident data to further enhance its post-payment cost recovery efforts.

Recommendation # 2.4:

AHCCCS should continue working with the Industrial Commission to obtain information about AHCCCS members who have work-related injuries or illnesses, and if unsuccessful, it should request a waiver for this requirement from CMS

Response: The Finding of the Auditor General is agreed to, and the audit recommendation will be implemented. AHCCCS is in contact with the Industrial Commission of Arizona regarding renewing efforts to enter into a successful data sharing agreement. If these efforts are not successful it will seek a waiver from CMS.

Again, I would like to thank the Auditor General and staff for their time and effort in evaluating the AHCCCS Coordination of Benefits programs. We appreciate the professional approach of the audit team as well as their cooperative attitude with AHCCCS staff.

Sincerely,

Thomas J. Betlach
Director

cc: Dorothy Reinhard, Auditor General
Deborah Corcoran, Auditor General