

BILL # SB 1085

TITLE: AHCCCS; chiropractic services

SPONSOR: Allen

STATUS: As Amended by Health Committee

PREPARED BY: Carson Howell

FISCAL ANALYSIS

Description

The bill as amended would establish chiropractic benefits for adult Arizona Health Care Cost Containment System (AHCCCS) participants. Participants would be guaranteed a minimum of 12 visits each year. This benefit would begin January 1, 2007.

Estimated Impact

The bill is estimated to increase General Fund (GF) costs by between \$800,000 and \$6.0 million for FY 2007. When fully phased in, the bill would cost between \$1.7 million to \$12.5 million in FY 2008. This estimate reflects the expected short term change in AHCCCS capitation rates. In the long run, the fiscal impact will also depend on whether chiropractic services reduce the reliance on more costly medical procedures.

The expected short term costs of the bill are based upon actuarial projections provided by AHCCCS actuaries. In the short term, if AHCCCS is required to provide a new service for recipients, AHCCCS will likely adjust capitation rates upward for higher utilization of service. Once the benefit is implemented, actual usage and the competitive market will determine the state's costs or savings. Two major factors that will influence long term costs/savings are 1) whether chiropractic services end up being more or less expensive than other medical treatment and 2) whether AHCCCS recipients substitute chiropractic care for other medical assistance they are now receiving, or if they receive chiropractic care in addition to their current care.

Analysis

Chiropractic services are currently provided for children enrolled in the KidsCare program and through the Medicare dual-eligible population. This bill would expand the services to include adults within the Traditional Medicaid and the Proposition 204 populations.

The AHCCCS actuarial analysis of this bill used two methods to determine costs – a general public utilization rate (Milliman method) and a Medicaid dual-eligible comparison. Chiropractic services provided to the dual-eligible population are provided through Medicare. Since these benefits are provided by the federal government, AHCCCS does not have specific utilization data on this population.

In a 1999 federal Inspector General report, Medicaid and Medicare programs which required physician referral witnessed utilization rates of less than half of those states which allowed for self-referral treatment. For purposes of this analysis, utilization rates are assumed to be half of that in the AHCCCS self-referral estimate. The Milliman method already included a physician referral requirement, so that estimated number was not adjusted. This resulted in estimated utilization ranging from 2.5% (Medicaid dual-eligible comparison) to approximately 10% (Milliman method). Additionally, both approaches differed on the number of visits made each year by clients using chiropractic services. The dual-eligible approach assumed approximately 6 visits per year while the Milliman method assumed 12 visits per year.

If 2.5% of the AHCCCS population matched the utilization rate of the dual-eligible population, the GF impact would be approximately \$800,000 million in FY 2007. If the AHCCCS population utilized chiropractic services similar to the general public, the GF impact would be approximately \$6.0 million in FY 2007. This impact would more than double in FY 2008 due to caseload growth and chiropractic services being offered during the entire fiscal year.

The JLBC Staff prepared a fiscal note in 1998 for a similar bill. At that time, various studies regarding the cost effectiveness of chiropractic services were researched. An Ontario study in 1993 was the only broad-based research cited in that fiscal

note. The Ontario study suggested that chiropractic services are a more cost-effective treatment of low-back pain than alternative medical care. This study cited a number of medical journal reviews of workers' compensation programs as support for their position. The Ontario study was based on information now approximately 15 years old. Since that time, the costs for both types of treatment and their effectiveness may have changed.

Other states provide conflicting evidence on whether chiropractic coverage is more or less expensive than other medical treatment. In recent times of fiscal crisis, 18 states have chosen to cut chiropractic services from their Medicaid programs. Staff in two states provided conflicting information with one state's staffers claiming that the cut in benefits produced some savings while staffers in another state felt that the cuts had resulted in added costs to the state.

Local Government Impact

None

2/8/06