

State of Arizona
Senate
Fifty-third Legislature
First Regular Session
2017

SENATE BILL 1030

AN ACT

AMENDING SECTION 36-2907, ARIZONA REVISED STATUTES; RELATING TO THE
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 36-2907, Arizona Revised Statutes, is amended to
3 read:

4 36-2907. Covered health and medical services; modifications;
5 related delivery of service requirements;
6 definition

7 A. Subject to the limitations and exclusions specified in this
8 section, contractors shall provide the following medically necessary
9 health and medical services:

10 1. Inpatient hospital services that are ordinarily furnished by a
11 hospital for the care and treatment of inpatients and that are provided
12 under the direction of a physician or a primary care practitioner. For
13 the purposes of this section, inpatient hospital services exclude services
14 in an institution for tuberculosis or mental diseases unless authorized
15 under an approved section 1115 waiver.

16 2. Outpatient health services that are ordinarily provided in
17 hospitals, clinics, offices and other health care facilities by licensed
18 health care providers. Outpatient health services include services
19 provided by or under the direction of a physician or a primary care
20 practitioner, **INCLUDING OCCUPATIONAL THERAPY.**

21 3. Other laboratory and x-ray services ordered by a physician or a
22 primary care practitioner.

23 4. Medications that are ordered on prescription by a physician or a
24 dentist licensed pursuant to title 32, chapter 11. Persons who are dually
25 eligible for title XVIII and title XIX services must obtain available
26 medications through a medicare licensed or certified medicare advantage
27 prescription drug plan, a medicare prescription drug plan or any other
28 entity authorized by medicare to provide a medicare part D prescription
29 drug benefit.

30 5. Medical supplies, durable medical equipment, insulin pumps and
31 prosthetic devices ordered by a physician or a primary care practitioner.
32 Suppliers of durable medical equipment shall provide the administration
33 with complete information about the identity of each person who has an
34 ownership or controlling interest in their business and shall comply with
35 federal bonding requirements in a manner prescribed by the administration.

36 6. For persons who are at least twenty-one years of age, treatment
37 of medical conditions of the eye, excluding eye examinations for
38 prescriptive lenses and the provision of prescriptive lenses.

39 7. Early and periodic health screening and diagnostic services as
40 required by section 1905(r) of title XIX of the social security act for
41 members who are under twenty-one years of age.

42 8. Family planning services that do not include abortion or
43 abortion counseling. If a contractor elects not to provide family
44 planning services, this election does not disqualify the contractor from
45 delivering all other covered health and medical services under this

1 chapter. In that event, the administration may contract directly with
2 another contractor, including an outpatient surgical center or a
3 noncontracting provider, to deliver family planning services to a member
4 who is enrolled with the contractor that elects not to provide family
5 planning services.

6 9. Podiatry services that are performed by a podiatrist who is
7 licensed pursuant to title 32, chapter 7 and ordered by a primary care
8 physician or primary care practitioner.

9 10. Nonexperimental transplants approved for title XIX
10 reimbursement.

11 11. Ambulance and nonambulance transportation, except as provided
12 in subsection G of this section.

13 12. Hospice care.

14 13. Orthotics, if all of the following apply:

15 (a) The use of the orthotic is medically necessary as the preferred
16 treatment option consistent with medicare guidelines.

17 (b) The orthotic is less expensive than all other treatment options
18 or surgical procedures to treat the same diagnosed condition.

19 (c) The orthotic is ordered by a physician or primary care
20 practitioner.

21 B. The limitations and exclusions for health and medical services
22 provided under this section are as follows:

23 1. Circumcision of newborn males is not a covered health and
24 medical service.

25 2. For eligible persons who are at least twenty-one years of age:

26 (a) Outpatient health services do not include ~~occupational therapy~~
27 ~~or~~ speech therapy.

28 (b) Prosthetic devices do not include hearing aids, dentures,
29 bone-anchored hearing aids or cochlear implants. Prosthetic devices,
30 except prosthetic implants, may be limited to twelve thousand five hundred
31 dollars per contract year.

32 (c) Percussive vests are not covered health and medical services.

33 (d) Durable medical equipment is limited to items covered by
34 medicare.

35 (e) Nonexperimental transplants do not include pancreas-only
36 transplants.

37 (f) Bariatric surgery procedures, including laparoscopic and open
38 gastric bypass and restrictive procedures, are not covered health and
39 medical services.

40 C. The system shall pay noncontracting providers only for health
41 and medical services as prescribed in subsection A of this section and as
42 prescribed by rule.

43 D. The director shall adopt rules necessary to limit, to the extent
44 possible, the scope, duration and amount of services, including maximum
45 limitations for inpatient services that are consistent with federal

1 regulations under title XIX of the social security act (P.L. 89-97; 79
2 Stat. 344; 42 United States Code section 1396 (1980)). To the extent
3 possible and practicable, these rules shall provide for the prior approval
4 of medically necessary services provided pursuant to this chapter.

5 E. The director shall make available home health services in lieu
6 of hospitalization pursuant to contracts awarded under this article. For
7 the purposes of this subsection, "home health services" means the
8 provision of nursing services, home health aide services or medical
9 supplies, equipment and appliances that are provided on a part-time or
10 intermittent basis by a licensed home health agency within a member's
11 residence based on the orders of a physician or a primary care
12 practitioner. Home health agencies shall comply with the federal bonding
13 requirements in a manner prescribed by the administration.

14 F. The director shall adopt rules for the coverage of behavioral
15 health services for persons who are eligible under section 36-2901,
16 paragraph 6, subdivision (a). The administration acting through the
17 regional behavioral health authorities shall establish a diagnostic and
18 evaluation program to which other state agencies shall refer children who
19 are not already enrolled pursuant to this chapter and who may be in need
20 of behavioral health services. In addition to an evaluation, the
21 administration acting through regional behavioral health authorities shall
22 also identify children who may be eligible under section 36-2901,
23 paragraph 6, subdivision (a) or section 36-2931, paragraph 5 and shall
24 refer the children to the appropriate agency responsible for making the
25 final eligibility determination.

26 G. The director shall adopt rules for the provision of
27 transportation services and rules providing for copayment by members for
28 transportation for other than emergency purposes. Subject to approval by
29 the centers for medicare and medicaid services, nonemergency medical
30 transportation shall not be provided except for stretcher vans and
31 ambulance transportation. Prior authorization is required for
32 transportation by stretcher van and for medically necessary ambulance
33 transportation initiated pursuant to a physician's direction. Prior
34 authorization is not required for medically necessary ambulance
35 transportation services rendered to members or eligible persons initiated
36 by dialing telephone number 911 or other designated emergency response
37 systems.

38 H. The director may adopt rules to allow the administration, at the
39 director's discretion, to use a second opinion procedure under which
40 surgery may not be eligible for coverage pursuant to this chapter without
41 documentation as to need by at least two physicians or primary care
42 practitioners.

43 I. If the director does not receive bids within the amounts
44 budgeted or if at any time the amount remaining in the Arizona health care
45 cost containment system fund is insufficient to pay for full contract

1 services for the remainder of the contract term, the administration, on
2 notification to system contractors at least thirty days in advance, may
3 modify the list of services required under subsection A of this section
4 for persons defined as eligible other than those persons defined pursuant
5 to section 36-2901, paragraph 6, subdivision (a). The director may also
6 suspend services or may limit categories of expense for services defined
7 as optional pursuant to title XIX of the social security act (P.L. 89-97;
8 79 Stat. 344; 42 United States Code section 1396 (1980)) for persons
9 defined pursuant to section 36-2901, paragraph 6, subdivision (a). Such
10 reductions or suspensions do not apply to the continuity of care for
11 persons already receiving these services.

12 J. Additional, reduced or modified hospitalization and medical care
13 benefits may be provided under the system to enrolled members who are
14 eligible pursuant to section 36-2901, paragraph 6, subdivision (b), (c),
15 (d) or (e).

16 K. All health and medical services provided under this article
17 shall be provided in the geographic service area of the member, except:

18 1. Emergency services and specialty services provided pursuant to
19 section 36-2908.

20 2. That the director may permit the delivery of health and medical
21 services in other than the geographic service area in this state or in an
22 adjoining state if the director determines that medical practice patterns
23 justify the delivery of services or a net reduction in transportation
24 costs can reasonably be expected. Notwithstanding the definition of
25 physician as prescribed in section 36-2901, if services are procured from
26 a physician or primary care practitioner in an adjoining state, the
27 physician or primary care practitioner shall be licensed to practice in
28 that state pursuant to licensing statutes in that state similar to title
29 32, chapter 13, 15, 17 or 25 and shall complete a provider agreement for
30 this state.

31 L. Covered outpatient services shall be subcontracted by a primary
32 care physician or primary care practitioner to other licensed health care
33 providers to the extent practicable for purposes including, but not
34 limited to, making health care services available to underserved areas,
35 reducing costs of providing medical care and reducing transportation
36 costs.

37 M. The director shall adopt rules that prescribe the coordination
38 of medical care for persons who are eligible for system services. The
39 rules shall include provisions for the transfer of patients, the transfer
40 of medical records and the initiation of medical care.

41 N. For the purposes of this section, "ambulance" has the same
42 meaning prescribed in section 36-2201.