

JLBC Fiscal Note

BILL # SB 1611

SPONSOR: Werner

PREPARED BY: Chandler Coiner

TITLE: American Indian health program; administration

STATUS: As Amended by Senate HHS

Description

The bill would require the Arizona Health Care Cost Containment System (AHCCCS) to contract with an administrative services organization beginning October 1, 2027, to perform program integrity, care management, provider support, quality improvement, data analytics, and claims payment functions for the American Indian Health Program (AIHP). Services provided to an AIHP member through the Indian Health Service or a tribal facility would be excluded.

Estimated Impact

We estimate that the bill would generate state costs for AHCCCS to contract out the specified functions to an administrative services organization. Based on the experience of states that have contracted out similar functions, like claims processing and data analytics, the cost could be in the tens of millions of dollars.

However, offsetting savings could be realized in at least 2 ways:

- 1) AHCCCS reduces its current staffing levels in the areas that have shifted to the contractor.
- 2) The contractor implements policies that identify fraud or otherwise contain costs, reducing state spending on services.

AHCCCS has stated that the bill would have "significant cost ramifications." We have asked AHCCCS for further details on its estimate of the bill's fiscal impact, but we have not received a response. We are unable to estimate the fiscal impact without a draft plan from the agency on how it would respond to the bill's requirements.

Analysis

Approximately 104,000 tribal members out of 1.8 million total AHCCCS members are currently enrolled in AIHP. The Division of Fee-For-Service Management within AHCCCS currently serves as the health plan that reimburses providers who deliver care to AIHP members. The functions of this division, and potentially other divisions within the agency, would shift to a contracted administrative services organization under this bill.

The net costs/savings resulting from the bill would depend on the outcome of the request for proposal (RFP) mandated by the bill, as well as how AHCCCS would adjust its staffing levels in response, which cannot be determined without more information from the agency.

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