

**SPECIAL STUDY SESSION  
November 24, 2003**

The Board of Supervisors of Maricopa County, Arizona convened at 9:00 a.m., November 24, 2003, in the Board of Supervisors' Conference Room, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Fulton Brock, Chairman, District 1; Andy Kunasek, Vice Chairman, District 3; Don Stapley, District 2, Max W. Wilson, District 4, and Mary Rose Wilcox, District 5. Also present: Fran McCarroll, Clerk of the Board; David Smith, County Administrative Officer; and Paul Golab, Deputy County Attorney. Votes of the Members will be recorded as follows: (aye-no-absent-abstain).

**UPDATE ON HEALTH CARE DISTRICT TRANSITION GUIDING PRINCIPLES**

Chairman Brock welcomed the staff and guests to this special meeting of the Board. He asked the County Administrative Officer, David Smith, to present his report regarding the Transition Guiding Principles for the New Special Health Care District. (ADM2100-005)

Mr. Smith stated that he would be presenting this report with a sense of how the transition would work from the perspective of good government principles. He presented a handout which outlined three major principles covering process and intent:

- 1) Transaction must be fair to both County and District – He recommended that the Board hear independent voices in both the Legal and Medical arenas and also bring in experts in the field who have been through transitions before. The Board of Supervisors, serving in dual capacities, should formulate and draft key transition agreements, but not approve them on behalf of the District. Staff should be specifically assigned to independently represent the District and the County during drafting processes. The new District Board should approve all key agreements
- 2) Transition must result in a “clean hand off” of operations to the new District – The Board of Supervisors and the CAO should play a **direct** role in managing the transition (serving dual roles). The need for post-transition reconciliation (“true ups”) should be minimized, and where necessary, clearly defined in terms of timing, scope, and dollar range. Financial reporting and business operations must be operating at an optimal level. And Health plan claims payment system (OAO) issues must be resolved.
- 3) Transition should be “transparent” as possible to employees – Benefits and basic policies should remain in place during the transition

Supervisor Wilcox commented that a good way to keep employees informed of issues and progress during the transition would be a newsletter format similar to one used in a previous transition effort.

**FORMATION AND TRANSITION TO SPECIAL HEALTH CARE DISTRICT; HEALTH PLAN CLAIMS PAYMENT**

David Smith, County Administrative Officer  
Sandi Wilson, Deputy County Administrator  
Chris Keller, Chief Counsel, Division of County Counsel  
Louis Gorman, Deputy County Attorney, Division of County Counsel  
Bill Sims, Outside Counsel  
Mark Hillard, CEO, MIHS

David Smith provided an overview of the project and status. He explained that OAO is a comprehensive health information system impacting operational components of all health plan product liens with a high degree of customization. OAO has various modules including:

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Membership	Provider Relations	Prior Authorization
Utilization and case management	Scanning and OCR input	Electronic data transmission
Claims adjudication	Finance	Data reporting
Web based applications		

He reviewed with the Board several significant dates in the implementation of the system from the "Go Live" date in October of 2002, Finance's notification that estimated payments to vendors had increased in August of 2003, the reinstallation and testing of the OAO system in October of 2003, and a readjudication of all claims pending back to 10/02 on the current schedule.

Mr. Smith explained that the previous claims system was held over in an attempt to have a smooth transition to the new system, but the old system had to be released due to the termination of the support agreement. The OAO system was not implemented with a full set of "rules" covering the various health plans so estimated payments to vendors had to be instituted in order to continue business. Therefore, he is presenting some questions and issues regarding the claims system to the Board for consideration.

- Stay with OAO or switch to a completely different vendor
- Issue an alternative RFP to offer an option in processing
- Keep the OAO system if it proves to be operating as expected
- Confidence in a claims system must be achieved in early 2004
- Compliance with the AHCCCS guidelines for claims processing and accuracy

In response to questions from Supervisors Brock and Wilson, Mr. Smith responded that AHCCCS compliance is contained in the contract but has not been demonstrated to date. In addition, all project management components must be prioritized and scheduled. He also stated that the County has surveyed some other OAO users and have heard that some customers are unhappy with the service.

Mark Hillard, MIHS CEO, explained that since the system has not yet been able to provide fully reliable data, the staff has compiled estimates based on historical data to determine what may be owed to various vendors. Payments are being made from these estimates and the "true up" process will determine actual costs. In addition, some cases of duplicate payments have caused cash flow problems. The staff expects the December claim run to be in compliance with AHCCCS guidelines.

Supervisor Wilson expressed his concern that when payables and receivables are not timely, the County may not be able to continue to use the "best" vendors due to their lack of confidence in our systems. He felt that the performance was not meeting the expectation and that this had been the case for too long.

Supervisor Brock commented on several calls he had received from employees regarding the slow claim paying process. Many had indicated that they had received threatening letters regarding timely payment of health care claims. In response, Mr. Hillard stated that they were aware of many of the problems involving denied claims. He explained that MIHS staff works those claims individually when they are made aware of denial letters. He added that MedPro had been very patient throughout the process.

Deanna Wise from the MIHS Technology Division explained that the staff was carefully reviewing the OAO contract to determine compliance or lack thereof. At this point OAO has not delivered many components on time or to date but the County is also withholding payment on some work that has been completed. Discussions and negotiations are continuing in order to determine specific contract compliance issues. Ms. Wise added that items showing errors go into an error report where they are reviewed manually. She also explained that staff discovered that the "rules" for payment built into the

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system were only based on one health plan, however, four plans are actually handled by the system. The lack of specific rules is what caused the error report to be large. The cash buildup based on unpaid claims also indicated a problem with the system.

The Supervisors expressed concern about the reaction of AHCCCS to the inability of the system to deliver reliable billing. Ms. Wise responded that she attends all weekly meetings with AHCCCS, and that the MIHS team has been very frank and honest with the state agency. She indicated that AHCCCS had been understanding of the situation to this point. Ms. Wise went on to explain that OAO has 40 clients that run their program for billing health plans. Maricopa County is the only client who runs the program for our own Health Plan as well as Medicaid and Medicare.

In response to a question from Supervisor Brock, Ms. Wise explained that the real problem was with the implementation of the program rather than the product. She outlined for the Board the audit process currently underway with Outlook Associates. This company is reviewing the product and the implementation process to determine if the project is on track at this point. They are also able to enhance the implementation process. She reviewed the status of the project regarding current billing and error resolution. Outlook Associates has helped the MIHS staff write the additional rules needed for the system to adequately process claims. The system went from 6,000 rules to over 312,000 rules. The initial runs have shown a minimum of 90% pass rate. She added that the readjudication process runs the claims through the process a second time and the two reports are compared to determine any discrepancies.

The Supervisors discussed the value of issuing an RFP for a Third Party Administrator (TPA). This would allow OAO to continue to be developed while the bills were processed by a different vendor. They indicated that a decision on the TPA would be something to be finalized very soon.

**DISCUSSION REGARDING ITEMS FOR NEXT MEETING**

Supervisor Wilcox stated that she had reviewed the proposed schedule of activities to Monty DuVal and Ted Williams who concurred with the proposal. Mr. Smith indicated that he wanted to bring in experts in the field to make sure that critical aspects of the transition are not overlooked. He added that the district would be created as a "shell" first with a staged implementation process. The budgeting process for the district will begin in the first half of 2004.

Supervisor Stapley stated that the meetings should be clearly defined as the Board of Supervisors or as the Health Care District Board of Directors. He added that he did not want any perception of a conflict of interest between the District and the County. Supervisor Brock also explained that he felt the Board needed advisors giving input throughout the process. Both Supervisors felt that advisors should be heavily involved in all of the meetings. Supervisor Wilcox added that the District should have proper legal advice during the discussions.

Bil Bruno was recognized by the Chairman to comment of the Transition. He stated that he was disappointed to learn that claims were not being properly processed and that the delays were causing problems for County employees. He also questioned current increases in the use of emergent care and he commented on the AHCCCS response to OAO problems. Mr. Bruno stated that the Board might want to hire an interim administrator who would represent only the District. The position would be eliminated once the new Board was elected. Mr. Bruno explained that much of the work regarding the work of the District involves a great deal of work. Finally, he commented that as a citizen, he wanted to know that "someone" was reading all of the MIHS related reports.

**MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK**

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The Supervisors indicated that they wanted to be advised and provided with the reports Mr. Bruno had mentioned and that they wanted to have a discussion about Health Care District Committees.

**EXECUTIVE SESSION**

Motion was made by Supervisor Stapley, seconded by Supervisor Kunasek, and unanimously carried (5-0) to convene into executive session pursuant to ARS §38-431.03 on the following matters:

**LEGAL ADVICE; CONTRACTS SUBJECT TO NEGOTIATION; potential litigation – ARS §38-431.03(A)(3) and (A)(4)**

**OA0 HEALTH CLAIMS PROCESSING CONTRACT**

Chris Keller, Chief Counsel, Division of County Counsel  
Louis Gorman, Deputy County Attorney, Division of County Counsel  
Bill Sims, Outside Counsel  
Mark Hillard, CEO, MIHS

**RECESS AS BOARD OF SUPERVISORS AND RECONVENE AS THE STADIUM DISTRICT BOARD OF DIRECTORS**

Motion was made by Director Stapley, seconded by Director Kunasek, and unanimously carried (5-0) to convene into executive session for the Stadium District pursuant to ARS §38-431.03.

**LEGAL ADVICE; CONTRACTS SUBJECT TO NEGOTIATION – ARS §38-431.03(A)(3) and (A)(4)**

**LEGAL ADVICE AND CONTRACT NEGOTIATIONS WITH AZPB LIMITED PARTNERSHIP**

Bill Scalzo, Executive Director of the Stadium District  
Julie Schweigert, Stadium District  
Bill Sims, Outside Counsel  
Paul Golab, Deputy County Attorney, Division of County Counsel

**ADJOURN**

There being no further business to come before the Board, the meeting was adjourned.

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Fulton Brock, Chairman of the Board

ATTEST:

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Fran McCarroll, Clerk of the Board