

January 31, 2013

Mr. Thomas Betlach
Director
Arizona Health Care Cost Containment System
801 East Jefferson Street
Phoenix, AZ 85034

Dear Mr. Betlach:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) is approving your request to amend Arizona's Medicaid section 1115 demonstration, the Arizona Health Care Cost Containment (AHCCCS) demonstration (11-W-00275/09 and 21-W-00064/9). Approval of the amendment to this demonstration is under the authority of section 1115(a) of the Social Security Act and is effective from the date of this letter through the end of the demonstration.

This award approves the state's request to integrate physical and behavioral health services provided to children enrolled in the state's Children's Rehabilitative Services (CRS) program as well as to adults residing in Maricopa County who are diagnosed with a serious mental illness (SMI). The objectives of the integration projects are to reduce the fragmentation of care that these populations currently experience as they navigate the multiple systems of care in order to receive their physical and behavioral health services. The demonstration will test the effect of integrating behavioral and physical health services for the two populations by measuring the improvements in health outcomes for these populations as compared to the state's current structure.

CMS is also approving clarifying language outlining the procedures needed to operationalize the KidsCare II program wait list as well as technical changes to the demonstration's Disproportionate Share Hospital (DSH) methodology to reflect the 2013 DSH amounts and to the Safety Net Care Pool (SNCP) protocols to include three new hospitals and mid-level practitioner costs to the SNCP.

The CMS approval of the AHCCCS demonstration amendment is conditioned upon continued compliance with the enclosed set of STCs defining the nature, character, and extent of anticipated federal involvement in the project. The award is subject to our receiving your written acknowledgement of the award and acceptance of these STCs within 30 days of the date of this letter.

A copy of the revised STCs, waivers and expenditure authorities are enclosed.

Your project officer for this demonstration is Ms. Jessica Schubel. She is available to answer any questions concerning your section 1115 demonstration and this amendment. Ms. Schubel's contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and CHIP Services
Mail Stop S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850
Telephone: (410) 786-3032
Facsimile: (410) 786-5882
E-mail: Jessica.Schubel@cms.hhs.gov

Official communications regarding program matters should be sent simultaneously to Ms. Schubel and to Ms. Gloria Nagle, Associate Regional Administrator for the Division of Medicaid and Children's Health in our San Francisco Regional Office. Ms. Nagle's contact information is as follows:

Ms. Gloria Nagle
Associate Regional Administrator
Division of Medicaid and Children Health Operations
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103 -6706

If you have questions regarding this approval, please contact Ms. Jennifer Ryan, Acting Director, Children and Adults Health Programs Group, Center for Medicaid and CHIP Services, at (410) 786-5647.

Sincerely,

/s/

Marilyn Tavenner
Acting Administrator

Enclosures

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cc: Cindy Mann, Director, CMCS
Jennifer Ryan, CMCS
Gloria Nagle, ARA, San Francisco Regional Office