



Center for Medicaid and CHIP Services

APR 06 2012

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 granting 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 outstanding requests that Arizona had included in its request for its new section 1115 demonstration last year along with the additional measure that permits Arizona to resume some coverage of CHIP eligible children. Specifically, CMS is approving the State's request to establish a new coverage program for children up to age 19 with family income above Medicaid income levels and below 175 percent of the Federal poverty level (FPL), the KidsCare II Program. Expanding coverage to children is an important feature of the Demonstration as it furthers the coverage objectives of the Medicaid and CHIP programs.

CMS is also approving the creation of the Safety Net Care Pool (SNCP), which will allow the State to make payments to certain hospitals and other providers to reflect the burden of uncompensated care costs, as well as for costs associated with Arizona's Proposition 202 Trauma/Emergency Room Designated State Health Program. The SNCP will help to fund the KidsCare II program by allocating a percentage of the total pool amount to KidsCare II.

As indicated in our February 17, 2012, letter, CMS shares the State's goal of maintaining the financial viability of IHS facilities, including tribal facilities funded under compacts or contracts pursuant to Public Law 93-638 ("tribal 638 facilities"), to ensure the continuing availability of their robust health care service delivery network for current and future Medicaid beneficiaries. As such, this award also provides the State authority to make payments to such facilities to reflect uncompensated care that is in categories that, prior to October 1, 2010, would have been covered under the Medicaid State plan and that is furnished in or by the facility to individuals with family income up to 100 percent of the FPL. The State's assumption of responsibility for the non-Federal share with respect to services that are provided at IHS and 638 facilities to beneficiaries who are not identified as American Indian/Alaskan Native (AI/AN) is central to

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CMS' ability to approve this request. With this authority, the State will be able to test the effects of the payments on the financial viability of IHS and 638 providers

The CMS approval of the AHCCCS Demonstration amendment is conditioned upon continued compliance with the enclosed set of Special Terms and Conditions (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 and expenditure authorities is enclosed. The waivers for the Demonstration are unchanged by this amendment, and remain in force.

I appreciate the work that you and your staff have done on these amendments, as well as the partnership of the Arizona tribes and the hospital community. 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:

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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. Victoria Wachino, Director, Children and Adults Health Programs Group, Center for Medicaid and CHIP and Services, at (410) 786-5647:

Sincerely,

/s/

Cindy Mann
Director

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Enclosures

cc: Victoria Wachino, Director, Children and Adults Health Programs Group, CMCS
Gloria Nagle, ARA, San Francisco Regional Office