

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop: S2-25-26
Baltimore, Maryland 21244-1850



State Demonstrations Group

October 5, 2023

Carmen Heredia
Director
Arizona Health Care Cost Containment System
801 East Jefferson Street
Phoenix, Arizona 85034

Dear Director Heredia:

The Centers for Medicare & Medicaid Services (CMS) is approving Arizona's submitted attestation table and information regarding provider rates and required rate increases under special terms and conditions (STC) 60 through 72 of the demonstration titled, "Arizona Health Care Cost Containment System" (AHCCCS) (Project Number 11-W-00275/9) (the "demonstration"). The state's submitted attestation table is included in the enclosed and will be incorporated as an attachment to the STCs.

On October 14, 2022, CMS approved federal matching funds for Designated State Health Programs (DSHP) to enable the state to implement the new demonstration initiative Target Investments (TI) 2.0 that CMS has determined are likely to assist in promoting the objectives of Medicaid. This demonstration also includes the new initiative Housing and Health Opportunities (H2O) initiative, which includes the provision of a defined set of covered services and supports to address health-related social needs (HRSN).

As discussed in the October 14, 2022, demonstration extension approval, CMS is committed to improving access to quality care for all Medicaid beneficiaries and is engaged in an "all of Medicaid" approach to promote coverage, access to and quality of care, and health outcomes for all beneficiaries. Accordingly, as a condition of approval for the DSHP and HRSN in the demonstration, the state must increase and (at least) subsequently sustain, through demonstration year (DY)16, Medicaid fee-for-service (FFS) provider base payment rates and Medicaid managed care network provider payment rates by at least two percentage points in the ratio of Medicaid to Medicare provider rates for each of the services that comprise the state's definition of primary care, behavioral health care, or obstetric care, as relevant, if the average Medicaid to Medicare provider payment rate ratio for a representative sample of these services for any of these three categories of services is below 80 percent. For any service category in which provider rate increase requirements are triggered due to the Medicaid to Medicare provider payment rate ratio, the requirement for rate increases will apply to all applicable service codes.

On January 12, 2023, the state provided CMS documentation of the methodology used to calculate the ratio of Medicaid to Medicare provider payment rates for each of the three service categories in both the FFS and managed care delivery systems. CMS accepts the state's submitted documentation indicating that only primary care provider payment levels in the FFS delivery system are below 80 percent of Medicare rates and must be increased. The state has attested that the rate increases will be implemented according to the STCs, and that the state will not decrease provider payment rates for other Medicaid or demonstration-covered services for the purpose of making state funds available to finance these required provider rate increases (i.e., cost-shifting). The state has also attested to sustaining the increase for the remaining years of the demonstration period.

Your project officer, Kelsey Smyth, is available to answer any questions concerning this letter, and her contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and CHIP Services
Mail Stop: S2-25-26
7500 Security Boulevard
Baltimore, MD 21244-1850
Email: Kelsey.Smyth@cms.hhs.gov

We appreciate your state's commitment to improving the health of people in Arizona, and we look forward to our continued partnership on the AHCCCS section 1115(a) demonstration.

Sincerely,

10/5/2023

X Andrea J. Casart

Signed by: Andrea J. Casart -S

Andrea J. Casart
Director
Division of Eligibility and Coverage Demonstrations
State Demonstrations Group
Center for Medicaid and CHIP Services

Enclosures

cc: Brian Zolynas, State Monitoring Lead, Medicaid and CHIP Operations Group

Attachment N
Attestation Table

Arizona Provider Payment Rate Increase Assessment – Attestation Table		
The reported data and attestations pertain to provider payment rate increase requirements for the demonstration period of performance DY12 thru DY16		
Category of Service	Medicaid Fee-for-Service to Medicare Fee-for-service Ratio	Medicaid Managed Care to Medicare Fee-for-service Ratio
Primary Care Services	76.4%	76.6%
	<i>STC 64(b)- AHCCCS FFS claims within the AHCCCS data warehouse for Federal Fiscal Year 2021</i>	<i>STC 65(b)- MCO Encounters within the AHCCCS data warehouse for Federal Fiscal Year 2021</i>
Behavioral Health Services	80.4%	110.2%
	<i>STC 64(b)- AHCCCS FFS claims within the AHCCCS data warehouse for Federal Fiscal Year 2021</i>	<i>STC 65(b)- MCO Encounters within the AHCCCS data warehouse for Federal Fiscal Year 2021</i>
Obstetric Care Services	101.0%	83.4%
	<i>STC 64(b)- AHCCCS FFS claims within the AHCCCS data warehouse for Federal Fiscal Year 2021</i>	<i>STC 65(b)- MCO Encounters within the AHCCCS data warehouse for Federal Fiscal Year 2021</i>
<p>In accordance with STCs 60 through 71, including that the Medicaid provider payment rates used to establish the ratios do not reflect fee-for-service supplemental payments or Medicaid managed care pass-through payments under 42 CFR 438.6(a) and 438.6(d), I attest that at least an amount necessary so that the Medicaid to Medicare ratio increases by two percentage points will be applied to each of the services in each of the three categories with a ratio below 80 percent in both fee-for-service and managed care delivery systems as applicable to the state’s Medicaid or demonstration service delivery model. Such provider payment rate increases for each service will be effective beginning on October 1, 2024 and will not be lower than the highest rate for that service code in DY12 plus an amount necessary so that the Medicaid to Medicare ratio increases by two percentage points relative to the rate for the same or similar Medicare billing code through at least September 30, 2027. For the purpose of deriving the Medicaid to Medicare provider payment rate ratio, and to apply the rate increase as may be required under a Fee-For-Service delivery system or under a managed care delivery system, as applicable, the state agrees to define primary care, behavioral health and obstetric care, and to identify applicable service codes and provider types for each of these service categories in a manner consistent with other state and federal Medicaid program requirements, except that</p>		

inpatient behavioral health services may be excluded from the state's definition. The services that comprise each service category to which the rate increase must be applied will include all service codes that fit under the state's definition of the category, except the behavioral health codes do not have to include inpatient care services. For provider payment rates paid under a managed care delivery system, the data and methodology for any one of the service categories as provided in STC 65(b) will be based on Medicaid managed care provider payment rate and utilization data.

[Select the applicable effective date, must check either a. or b.]

☒ a. The effective date of the rate increases is the first day of DY14 and will be at least sustained, if not higher, through DY16.

☐ b. Arizona has a biennial legislative session that requires provider payment rate approval 43 Demonstration Approval: October 14, 2022 through September 30, 2027 and the timing of that session precludes the state from implementing the provider payment rate increase on the first day of DY14. Arizona will effectuate the rate increases no later than the CMS approved date of [insert date], and will sustain these rates, if not made higher, through DY16.

Arizona **does** make Medicaid state plan fee-for-service payments for the following categories of service for at least some populations: primary care, behavioral health, and / or obstetric care.

For any such payments, I agree to submit by no later than **December 31, 2024** for CMS review and approval of the Medicaid state plan fee-for-service payment increase methodology, including the Medicaid code set to which the payment rate increases are to be applied, code level Medicaid utilization, Medicaid and Medicare rates for the same or similar Medicare billing codes, and other data used to calculate the ratio, and the methodology, as well as other documents and supporting information (e.g., state responses to Medicaid financing questions) as required by applicable statutes, regulations and CMS policy, through the submission of a new state plan amendment, following the normal SPA process including publishing timely tribal and public notice and submitting to CMS all required SPA forms (e.g., SPA transmittal letter, CMS-179, Attachment 4.19-B pages from the state), with an effective date no later than **October 1, 2024**.

Arizona **does** include the following service categories within a Medicaid managed care delivery system for which the managed care plans make payments to applicable providers for at least some populations: primary care, behavioral health, and or obstetric care.

For any such payments, I agree to submit the Medicaid managed care plans' provider payment rate increase methodology, including the information listed in STC 66 through the state-directed payments submission process and in accordance with 42 CFR 438.6(c), as applicable, by an effective date no later than **October 1, 2024**.

If the state utilizes a managed care delivery system for the applicable service categories, then in accordance with STC 67, I attest that necessary arrangements will be made to assure that 100 percent of the two percentage point managed care plans' provider payment rate increase will be paid to the providers of those service categories and none of this payment rate increase is retained by the managed care plans.

Arizona agrees not to use DSHP funding to finance any provider payment rate increase required under Section X, and will ensure that the entirety of a two percentage point increase is applied to the provider payment rates in the service category whose Medicaid to Medicare average payment rate ratio is below 80 percent is paid to providers, and none of such payment rate increase is retained by managed care plans.

Except as required by federal law, Arizona further agrees not to decrease provider payment rates for other Medicaid- or demonstration-covered services to make state funds available to finance provider rate increases required under Section X.

I, Jeffery Tegen, Chief Financial Officer, Arizona Health Care Cost Containment System, attest that the above information is complete and accurate.

[Provide signature  _____]

[Provide printed name of signatory Jeffery Tegen _____]

[Provide date 1/12/2023 _____]