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State/Territory Name: Arkansas

State Plan Amendment (SPA) #: 26-0008

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
601 E. 12th St., Room 355
Kansas City, Missouri 64106



Medicaid and CHIP Operations Group

July 13, 2026

Elizabeth Pitman, Director
Division of Medical Services
P.O. Box 1437
Slot S401
Little Rock, AR 72203-1437

RE: Arkansas PACE SPA ID# 26-0008

Dear Director Pitman:

The Centers for Medicare & Medicaid Services (CMS) completed the review of Arkansas' State Plan Amendment (SPA) Transmittal Number AR 26-0008, submitted on April 14, 2026. The purpose of this SPA is to update the rate methodology for PACE services.

We conducted our review of your submittal according to statutory requirements in Title XIX of the Social Security Act and the implementing regulations. This letter is to inform you that Arkansas' Medicaid SPA 26-0008 is approved with an effective date of April 1, 2026.

If you have any questions concerning this information, please contact me at (410) 786-7561. You may also contact Lynn Ward at lynn.ward@cms.hhs.gov or (214)767-6327.

Sincerely,

George P. Failla, Jr., Director
Division of HCBS Operations & Oversight

Enclosures

cc: Mac Golden, AR DHS
Jay Hill, AR DHS
Melissa Weatheron, AR DHS
Angela Cimino, CMS DHPC
Cynthia Nanes, CMS DHCBSO
Wendy Hill-Petras, CMS DHCBSO
Matthew Weaver, CMS DLTSS
Lee Herko, CMS DPO

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2 6 — 0 0 0 8

2. STATE

A R

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL
SECURITY ACT ☒ XIX ☐ XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

04/01/2026

5. FEDERAL STATUTE/REGULATION CITATION

42 CFR 460.182

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a FFY 2026 \$ 0

b FFY 2027 \$ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Sup. 3 to Att. 3.1-A, page 37
Sup. 3 to Att. 3.1-A, page 37A
Sup. 3 to Att. 3.1-A, page 38

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable)

Sup. 3 to Att. 3.1-A, page 37
Sup. 3 to Att. 3.1-A, page 37A and 37B
Sup. 3 to Att. 3.1-A, page 38

9. SUBJECT OF AMENDMENT

PACE rate-setting methodology is being updated to comply with CMS guidance.

10. GOVERNOR'S REVIEW (Check One)



GOVERNOR'S OFFICE REPORTED NO COMMENT



COMMENTS OF GOVERNOR'S OFFICE ENCLOSED



NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL



OTHER, AS SPECIFIED:

Elizabeth Pitman

13. TITLE

Director, Division of Medical Services

14. DATE SUBMITTED

4/14/26

15. RETURN TO

Office of Rules Promulgation
PO Box 1437, Slot S295
Little Rock, AR 72203-1437

Attn: Mac Golden

FOR CMS USE ONLY

16. DATE RECEIVED

4/14/2026

17. DATE APPROVED

July 13, 2026

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

April 1, 2026

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

George P. Failla, Jr.

21. TITLE OF APPROVING OFFICIAL

Director, Division of HCBS Operations and Oversight

22. REMARKS

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

ARKANSAS

PROGRAM OF ALL-INCLUSIVE CARE FOR THE ELDERLY

(B). N/A The following dollar amount: \$_____

Note: If this amount changes, this item will be revised.

(C) N/A The following formula is used to determine the needs allowance:

If this amount is different than the amount used for the individual's maintenance allowance under 42 CFR 435.726 or 42 CFR 435.735, explain why you believe that this amount is reasonable to meet the individual's maintenance needs in the community:

II. Rates and Payments

A. The State assures CMS that the capitated rates will be less than the cost to the agency of providing State plan approved services to an equivalent non-enrolled population group based upon the following methodology. Please attach a description of the negotiated rate setting methodology and how the State will ensure that rates are less than the amount the state would have otherwise paid for a comparable population.

1. ____ Rates are set at a percent of the amount that would have otherwise been paid for a comparable population.
2. ____ Experience-based (contractors/State's cost experience or encounter data) (please describe)
3. ____ Adjusted Community Rate (please describe)
4. X Other (please describe)

See Page 37A for description of the rate setting methodology for Program of All-Inclusive Care for the Elderly (PACE).

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL
SECURITY ACT****State/Territory: ARKANSAS****PROGRAM OF ALL-INCLUSIVE CARE FOR THE ELDERLY****Program of All-Inclusive Care for the Elderly (PACE)**

The Arkansas PACE amount that would otherwise have been paid (AWOP) for a PACE-comparable population and capitation rate amounts are developed for Medicaid Only and Dual Eligible populations and may be further stratified by additional factors as appropriate. The state uses the most recent available Medicaid - claims and eligibility data for a comparable population. The data used in the AWOP and PACE rate calculations is limited to recipients 55 or older who are eligible for nursing facility level of care or ARChoices Waiver level of care, and who are eligible for PACE but not enrolled in the program.

The base year data used in the AWOP and rate development is no more than three years prior to the rate year and is trended forward using the historical claims and eligibility information extracted for the PACE-comparable population. The claims data includes all services included in the state plan. Only claims that were actually paid are included in the analysis to create a historical per-member-per-month rate.

Base data, including Medicaid claims and eligibility data, are summarized by rate cell and category of service. Adjustments are then applied to project the base period data to the rating period and to reflect expected future costs. These adjustments include, but are not limited to, completion factors for incurred but not reported claims, removal of pharmacy rebates, fee schedule changes, and trend assumptions to account for changes in utilization, service mix, and unit costs. An adjustment is also applied to reflect state administrative expenses.

The projected AWOP reflects the expected costs of the comparable population for the rating period and is developed on a per member per month basis for each rate cell.

Rates are developed for the appropriate rate categories. All appropriate adjustments are considered in the development of the rates.

In setting the PACE capitation rates, a managed care adjustment is applied to reduce the AWOP amounts by a percentage established by the state which reflects anticipated reductions in health care service costs resulting from the reduction in nursing facility services and increase in non-institutional care for PACE enrollees relative to the population underlying the AWOP development.

The percentage is determined by evaluating per member per month (PMPM) cost using the base data adjusted for the actual mix of PACE participants residing in the community, and dampening based on expected acuity for PACE vs. non-PACE home and community-based services. Historical financial performance for the PACE organizations is reviewed to validate the reasonableness of the final capitation rates.

The AWOPs and capitation rates will be rebased/recalculated every two years and the rebasing calculations will be completed for two calendar years (Jan-Dec). Separate AWOPs will be submitted for each year of the proposed two-year rating period. The rebasing/recalculations will be completed in accordance with the methodology described above and consistent with CMS rate-setting guidance.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

ARKANSAS

PROGRAM OF ALL-INCLUSIVE CARE FOR THE ELDERLY

II. Rates and Payments (continued)

- B. The State Medicaid Agency assures that the rates were set in a reasonable and predictable manner.
- C. The State will submit all capitated rates to CMS for prior approval, and will include the name, organizational affiliate of any actuary used, and attestation/description of the capitation rates.

III. Enrollment and Disenrollment

The State assures that there is a process in place to provide for dissemination of enrollment and disenrollment data between the State and the State Administering Agency. The State assures that it has developed and will implement procedures for the enrollment and disenrollment of participants in the State's management information system, including procedures for any adjustment to account for the difference between the estimated number of participants on which the prospective monthly payment was based and the actual number of participants in that month.