June 11, 2013

Center for Medicare and Medicaid Services  
Attn: Stephanie Kaminsky  
Children and Adults Health Program Group  
Center for Medicare and Medicaid Services

RE: Arizona’s revised Income Conversion Plan

Dear Ms. Kaminsky;

Arizona submits this revised Income Conversion plan to align our plan with the recently released final version of the Income Conversion plan template. We have calculated the weighted average of the income and disregards of applicants and beneficiaries for the AFDC payment standard of 5/1/1988 and 7/16/1996. The updated converted standards for those groups appear on page 11 of this document.

Please let me know if you have any questions or need additional information.

Sincerely,

Marshall Wilmot  
Health Care Reform Project Coordinator  
Division of Member Services  
Arizona Health Care Cost Containment System
Modified Adjusted Gross Income (MAGI) Conversion Plan

REVISED May 23, 2013

This MAGI Conversion Plan is being submitted to CMS by Arizona as required by Section 1902(e)(14)(E) of the Social Security Act, which requires each state to submit for approval the income eligibility thresholds for Medicaid and the Children’s Health Insurance Program (CHIP) proposed to be established using modified adjusted gross income (MAGI). As described in the December 28, 2012 State Health Officials’ Letter on Modified Adjusted Gross Income (MAGI) income conversion, states can choose among three options to convert net standards for Medicaid and CHIP to MAGI equivalent standards. The purpose of the MAGI Conversion Plan is to provide CMS with information about each state’s MAGI conversion methodology, as well as the data used and results of conversion. CMS will be reviewing the submitted materials and notifying the State with their approval or disapproval by June 15, 2013.

Eligibility and FMAP claiming conversions. States are required to submit information about their conversion methodology, data and results for income conversions related to eligibility and those required for FMAP claiming in accordance with CMS’ FMAP rule. For additional information about the FMAP rule, please see: https://s3.amazonaws.com/public-inspection.federalregister.gov/2013-07599.pdf.

Note about Income Eligibility Conversions and State Plan Amendments: Converted income standards will be used to set maximum MAGI-equivalent standards for adults in 2014 and will be used as the actual income standard in effect for children through October 2019. States will use the state plan amendment (SPA) process to identify the minimum and maximum MAGI-equivalent standards and to select the state’s MAGI-based income standard for each eligibility group to which MAGI will apply in 2014. For adults for whom the Maintenance of Effort requirement expires in 2014, the selected income standard in the SPA will be anywhere between the minimum and the maximum derived through the income conversion process.

Please indicate the MAGI conversion method chosen by your state and follow the appropriate directions:

☐ Option 1a – Standardized Methodology with SIPP data, no state data adjustments for time-limited disregards
   Attach Excel spreadsheet with finalized SIPP results of eligibility and FMAP conversions to this cover page and submit to incomeconversion@cms.hhs.gov.

☐ Option 1b – Standardized Methodology with SIPP data, with state data adjustments for time-limited disregards.
   Please follow instructions below and submit to incomeconversion@cms.hhs.gov.

☒ Option 2 – Standardized Methodology with State data

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Please follow the instructions below and submit this plan to incomeconversion@cms.hhs.gov.

- **Option 3** – State proposed Alternative Method

Please follow the instructions below and submit this plan to incomeconversion@cms.hhs.gov.

<table>
<thead>
<tr>
<th>Part 1 – Conversions for Eligibility</th>
<th>Part 2 – Conversions for FMAP Claiming and TB Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pages to Complete</strong></td>
<td><strong>Pages to Complete</strong></td>
</tr>
<tr>
<td><strong>Due Date</strong></td>
<td><strong>Due Date</strong></td>
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</tr>
<tr>
<td>Option 1a: Standardized Methodology, no adjustments</td>
<td>Page 1</td>
</tr>
<tr>
<td>Option 1b Standardized Methodology, state adjustments for time limited disregards</td>
<td>Pages 1 and 3</td>
</tr>
<tr>
<td>Standardized Methodology with State Data</td>
<td>Page 4-11</td>
</tr>
<tr>
<td>Alternative Methodology</td>
<td>Page 4-13</td>
</tr>
</tbody>
</table>

*Eligibility conversion plans are due April 30, 2013, or within 15 days of receiving SIPP results, whichever is later.
Options 2 and 3 -- Standardized Methodology with State Data Method and Alternative Method:

Please provide a state contact who can answer questions about the conversion plan, data, and methods:

Name: Marshall Wilmot                Title: Health Care Reform Project Coordinator
E-mail: Marshall.Wilmot@azahcccs.gov  Phone: (602) 417-4241

Supplemental Information: In addition to the information provided in the attached MAGI Conversion Plan, during the review and approval process, CMS may determine that supplemental information regarding the income conversion results is necessary. If CMS determines that a supplemental review of these results is necessary, your state may be required to submit:

- Descriptive statistics of the data used. Such descriptive statistics could include for each eligibility group converted with state data:
  - Net income statistics and disregard statistics for the full population or sample and for the population used in conversion (e.g., the 25% band) including: Total N, Mean Net Income, Standard Deviation of Mean Net Income, Median Net Income, and Number of individuals with Positive Net Income
- Data files used for conversion
- Annotated programming code used in the analysis
PART 1: ELIGIBILITY CONVERSIONS- TABLE 1 – DUE APRIL 30, 2013

For States Using
Standardized Methodology with State Data
Or
Alternative Method

Please fill out Table 1 below to provide CMS with information about how state data were used for MAGI income conversion. All cells in rows for eligibility groups that do not have a converted income standard in your state (for example, if your state does not cover independent foster care adolescents or does not apply an income standard to this group) should be marked “N/A.”

Instructions for Table 1:

SIPP results used: Your state may have used SIPP results for converting some groups. For conversions based on SIPP, please mark yes in the first column of Table 1 and provide the converted standard from those results.² Please list the group below (e.g., pregnant women) and an explanation of why the SIPP results are being used for this eligibility group (e.g., data unavailable). Attach additional pages if necessary. Note that for groups that need to be converted both for eligibility and FMAP purposes (e.g., childless adults) the same income conversion method/data source (i.e., SIPP or state data) must be used.

Arizona proposes to use state data for all groups.

² If SIPP results include conversions for applicants and beneficiaries, both should be included.
For all conversions using state data, please provide the following information:

**Time period**-Specify the time period of data that was used, for example, June 2011-May 2012. If a time period other than 12 months was used, please explain why below and summarize the methods used to determine that the time period is unbiased. Attach additional pages if necessary: ____

The State performed the Standardized Disregard analysis using data for the months of January, April and July 2012. The State performed the analysis on less than twelve months of data because the size of the full extract made analysis across all twelve months problematic.

The State chose three non-consecutive months to prevent any potential biases associated with seasonality. At the time that the data was extracted, July 2012 was the most recent complete month available.

The State performed the analysis independently for each month (January, April and July) and evaluated the results for consistency. The Standardized Disregard for each Medicaid Eligibility Group was set equal to the average of the three months.

**Sampling**: Please mark this column yes or no. If yes (in other words, the analysis did not include all records in the eligibility group), please provide a detailed explanation below of the sampling approach that was used (i.e., simple random sample, stratified sample, etc.). Please also provide information about the total population and the number of records sampled. Attach additional pages if necessary.

The State used all records within each month to conduct the analysis. No sampling was performed.
Net income standard: Please fill in the net standard that was converted for each eligibility group. This should reflect the bolded standard from the eligibility template that you developed with CMS. For conversions that were based on fixed dollar thresholds, please specify the net standard for each family size. You may use fewer or more family sizes than indicated in Table 1.

For 1115 demonstrations, please enter a row for each MAGI-included 1115 demonstration group, specifying whether its Medicaid or SCHIP.

Income band used in conversion: This column is applicable only for the State Data method and should reflect the net standard minus 25 percentage points of FPL. For example, if the net standard was 120% FPL, the income band used in conversion would be 95% FPL to 120% FPL. For standards at or below 25% FPL, the income band will include all records—e.g., for a net standard of 18% FPL, the income band used in conversion should be 0-18% FPL. For conversions of fixed dollar thresholds, please specify the income band (expressed as a percentage of FPL) for each family size. ³

Converted standard: Please fill in the converted standard. Fixed dollar standards should be given in dollars for each family size.

Special note for premium payment groups: If your state charges premiums for any eligibility group, please indicate which method you selected below and attach a separate sheet showing the MAGI Conversion Plan information requested (time period, net income standard, income band used in conversion, and the converted standard) for each income level used to determine premium payments.

Premium conversion method: Premiums may be converted either using the Standardized MAGI Conversion Methodology; or, using a ratio of the converted standard for the group to the net standard for the group for which premiums are charged. For example, if your state charges premiums for people between 150% and 300% FPL and the standard for 300% of FPL converted to 309%, you would multiple the remaining levels by 1.03 (309/300).

Please indicate which approach was used and provide upper income net and converted standards if you applied the ratio method:

Not applicable

³ See page 15 of How States Can Implement the Standardized Modified Adjusted Gross Income (MAGI) Conversion Methodology from State Medicaid and CHIP Data for more information on converting fixed dollar standards to FPL.

## Table 1

<table>
<thead>
<tr>
<th>Coverage Category</th>
<th>SIPP Results used (Yes/No)</th>
<th>Time Period</th>
<th>Sampling (yes/no)</th>
<th>Net Income Standard</th>
<th>Income band used in conversion (Alternative Method states to fill out only if applicable)</th>
<th>Converted Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parents and other caretaker relatives (mandatory under Section 1931)</td>
<td>No</td>
<td>January, April, July 2012</td>
<td>No</td>
<td>100% FPL</td>
<td>75% - 100% FPL</td>
<td>106% FPL</td>
</tr>
<tr>
<td>Parents and other caretaker relatives (optional under 1902(a)(10)(A)(ii)(I)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>N/A – This group was subsumed within the previous group with a higher income limit</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Pregnant women, full benefits</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>N/A – this group is included in the mandatory 1931 conversion</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Coverage Category</td>
<td>SIPP Results used (Yes/No)</td>
<td>Time Period</td>
<td>Sampling (yes/no)</td>
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<td>Income band used in conversion (Alternative Method states to fill out only if applicable)</td>
<td>Converted Standard</td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
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<td>--------------------------------------------------------------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Pregnant women, pregnancy only coverage</td>
<td>No</td>
<td>January, April, July 2012</td>
<td>No</td>
<td>150% FPL</td>
<td>125% - 150% FPL</td>
<td>156% FPL</td>
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<tr>
<td>Children under age 1</td>
<td>No</td>
<td>January, April, July 2012</td>
<td>No</td>
<td>140% FPL</td>
<td>115% - 140% FPL</td>
<td>147% FPL</td>
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<tr>
<td>Children ages 1 to 5</td>
<td>No</td>
<td>January, April, July 2012</td>
<td>No</td>
<td>133% FPL</td>
<td>108% - 133% FPL</td>
<td>141% FPL</td>
</tr>
<tr>
<td>Children ages 6 to 18</td>
<td>No</td>
<td>January, April, July 2012</td>
<td>No</td>
<td>100% FPL</td>
<td>75% - 100%</td>
<td>104% FPL</td>
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<tr>
<td>M-CHIP optional targeted low-income children</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Optional reasonable classifications of individuals under age 21</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>N/A</td>
</tr>
<tr>
<td>N/A – this group was subsumed by a mandatory group with a higher limit</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>State adoption assistance</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Coverage Category</td>
<td>SIPP Results used (Yes/No)</td>
<td>Time Period</td>
<td>Sampling (yes/no)</td>
<td>Net Income Standard</td>
<td>Income band used in conversion (Alternative Method states to fill out only if applicable)</td>
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<td>Independent foster care adolescents</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Family planning services</td>
<td>No</td>
<td>January, April, July 2012</td>
<td>No</td>
<td>150% FPL</td>
<td>125% - 150% FPL</td>
<td>156% FPL</td>
</tr>
<tr>
<td>Other Medicaid section 1115 demonstration (e.g., childless adults). Insert more rows if needed.</td>
<td>No</td>
<td>January, April, July 2012</td>
<td>No</td>
<td>100% FPL</td>
<td>75% - 100% FPL</td>
<td>105% FPL</td>
</tr>
<tr>
<td>Separate CHIP State plan</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>- Children</td>
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<tr>
<td>Separate CHIP State plan</td>
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<td>N/A</td>
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<td>N/A</td>
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<tr>
<td>- Pregnant Women option</td>
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<tr>
<td>Separate CHIP State plan</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>- Unborn child option</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Other S-CHIP section 1115 demonstration (e.g., pregnant women). Insert more rows if needed.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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</tr>
</tbody>
</table>
| AFDC payment standard 5/1/1988 | No | January, April, July 2012 | No | Fixed dollar standards Family size  
1  $233  
2  $293  
3  $353  
4  $412  
5  $472  
6  $532  
7  $60  
Add-on for additional family members if relevant  $60 | % FPL by family size  
1  0 – 19%  
2  0 – 19%  
3  0 – 19%  
4  0 – 19%  
5  0 – 19%  
6  0 – 19%  
7  0 – 19% | Fixed dollar standards Family size  
1  $247  
2  $312  
3  $376  
4  $441  
5  $505  
6  $667  
Add-on for additional family members if relevant  $64 |
| AFDC payment standard 7/16/1996 | No | January, April, July 2012 | No | Fixed dollar standards Family size  
1  $204  
2  $275  
3  $347  
4  $418  
5  $489  
6  $561  
7  $632  
Add-on for additional family members if relevant  $72 | % FPL by family size  
1  0 – 22%  
2  0 – 22%  
3  0 – 22%  
4  0 – 22%  
5  0 – 22%  
6  0 – 22%  
7  0 – 22% | Fixed dollar standards Family size  
1  $214  
2  $289  
3  $365  
4  $440  
5  $516  
6  $591  
7  $667  
Add-on for additional family members if relevant  $76 |
| Pre-CHIP Medicaid as of 3/31/97 | | | | | | |
**Premium Payment Determination:** Please indicate whether the Standardized MAGI Conversion methodology was used or a ratio of the converted standard at the upper ranges of the eligibility threshold was used.

*Not applicable*